SimplyBiz Group

ANNUAL REPORT & ACCOUNTS 2019

Customer-led.
Data-driven.
Innovation.

The SimplyBiz Group provides essential support services, software and data that enable professional financial advisers, financial intermediaries and product providers to deliver better outcomes for their customers.

As a leading independent provider of regulatory support and FinTech software, our understanding of the changing regulatory landscape and our deep insights into the needs of customers, advisers and product providers enables us to add unique value to the retail financial services sector.

+ www.simplybizgroup.co.uk

IN THIS REPORT

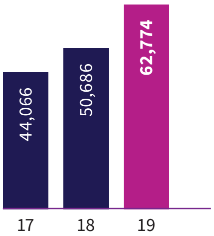
Highlights

FINANCIAL HIGHLIGHTS

Revenue (£000)

£62,774k

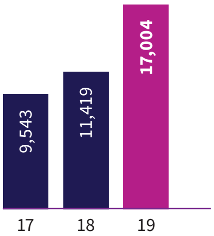
+23.8%



Adjusted EBITDA* (£000)

£17,004k

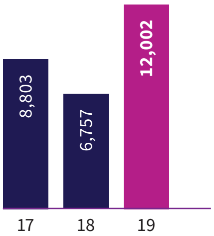
+48.9%



Operating profit (£000)

£12,002k

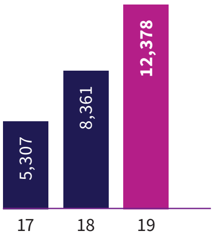
+77.6%



Adjusted profit after tax* (£000)

£12,378k

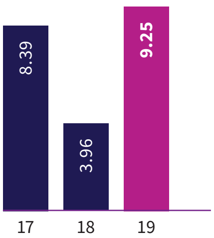
+48.1%



Basic EPS (p)

9.25p

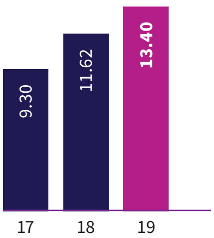
+133.8%



Adjusted EPS* (p)

13.40p

+15.3%



* A reconciliation of non-GAAP measures presented to the GAAP measures is provided in notes 9 and 14.

FY19 HIGHLIGHTS:

- Successful strategic acquisition of Defaqto
- Strong progress on software development and deployment
- Strong growth in value per intermediary customer
- Strong increase in mortgage completions
- Strong cost control maintaining strong operating margin

See more on pages 6 to 9

"The SimplyBiz Group is rooted in its unwavering commitment to the delivery of the highest-quality compliance support to all who use our services."

Ken Davy
Non-Executive Chairman

See more on pages 4 to 5

About us

The SimplyBiz Group encompasses 13 key brands that share a core philosophy of enabling better outcomes for consumers, intermediaries and product providers.

3,700
firms receiving regulatory, business and software services

1,900
firms receiving FinTech software

9,500
total users of our FinTech platform (5,800 who were not previously customers of the Group)

£16bn
of mortgage lending through our Club

Our brands

SimplyBiz

SimplyBiz Services is the cornerstone upon which The SimplyBiz Group of companies was built. The business launched in 2002 with a groundbreaking proposition designed to provide directly authorised financial advisers with a new level of support and service previously unseen in this sector.

MBA New Model Business Academy

The New Model Business Academy was launched in 2008 as a unique and groundbreaking not-for-profit organisation, dedicated to the training and development of financial advisers and their support staff.

SimplyBiz Mortgages

Established in 2004, SimplyBiz Mortgages has grown to be one of the top three mortgage clubs in the UK, supporting over 1,600 mortgage advisers as at 31 December 2019.

Consumer Credit Centre

The Consumer Credit Centre was created in response to the 2014 change in regulation that would impact companies in this market and require full FCA regulation.

SimplyBiz Investment Services
PART OF THE SIMPLYBIZ GROUP

SimplyBiz Investment Services provides the support services and software an adviser firm needs to deliver quality client outcomes.

FIBA Financial Intermediary & Broker Association

Launched in January 2018, The Financial Intermediary & Broker Association ("FIBA") is a new membership organisation dedicated to supporting all types of professional finance intermediaries in growing their businesses and delivering excellent products and services to their clients.

Gateway Surveyors

Gateway Surveyors is the combination of our three former surveying businesses (Gateway Surveyors, Landmark Surveyors and Sonas Surveyors) who have joined into one team of highly experienced RICS qualified surveyors, bringing together the expected professional ethics and standards of the Royal Institution of Chartered Surveyors combined with a straightforward approach to reporting that is designed to make the property buying process easier for the consumer.

SIFA

Founded in 1992 to support financial advisers working in partnership with legal firms, SIFA is recognised as a professional standards leader by both the Law Society and the Financial Conduct Authority.

Compliance First

Established in 2000, Compliance First is Scotland's premier provider of compliance and business support services to directly authorised financial advisers. Compliance First supports advisers based in Scotland, the North of England and Northern Ireland with a uniquely personal service.

verbatim Asset Management

Verbatim Asset Management is The SimplyBiz Group's investment offering and was launched in 2010 with a simple remit – to deliver against client expectations.

Each of the risk-managed, multi-asset, investment portfolios have a clear mandate that maps to the financial adviser's recommendations.

zest.

Zest is an award-winning provider of software for employee benefits communication, enrolment and administration which has positioned itself firmly at the front of the workplace technology market.

aps Legal & Associates

Professional Will Writing & Legal Specialist Estate Planning Practitioners

APS Legal & Associates is one of the largest estate planning and will writing companies in the UK, providing high standards of Quality, Expertise and Professionalism in a growing market that links closely with financial advice.

defaqto

Acquired in 2019, Defaqto is an independent financial information business, with over 20 years' experience helping financial institutions, financial advisers and consumers make better informed decisions. Its independent fund and product information helps banks, insurers and fund managers with designing and promoting their propositions. Defaqto supports delivery of financial advice with Engage Core, our end-to-end financial planning tool.

SIGNATURE

PART OF THE SIMPLYBIZ GROUP

Signature delivers compliance and support services designed to meet the needs of larger advisory and wealth management specialists. Launched in 2018, Signature offers a bespoke approach for these clients whilst also offering the benefit of access to the wider Group expertise and support.

+ simplybizgroup.co.uk/our-brands

Chairman's statement

A year of significant growth

2019 saw positive progress in every area of the Group.

Ken Davy

> The Group has completed the significant and exciting acquisition of Defaqto. I am very pleased to report on the effective integration of this well-established and successful business."
>
> **Ken Davy**

As Chairman of The SimplyBiz Group, I am delighted to report on the Group's first full year as a public company, one in which the Group has also completed the significant and exciting acquisition of Defaqto. This acquisition was the largest in the Group's history, and I am very pleased to report on the effective integration into the Group of this well-established and successful business.

During the year under review the Group grew its revenue by 24% to £63 million and Adjusted EBITDA (as defined in note 9) by 49% to £17 million. The Directors are recommending a final dividend of 2.85 pence per share, making a total for the year of 4.26 pence per share.

In addition, we have been extremely successful in expanding the breadth of support we deliver to the independent firms we serve across the financial services sector, including financial planning, pensions, mortgage, protection, consumer credit, legal services and workplace markets. During the past 12 months we have widened this scope further by entering the FinTech market, through the acquisition of Defaqto, and launched services to the discretionary fund management market.

The past four years have been a time of great political uncertainty; however, regardless of whichever side of the Brexit debate one stood, I believe an era of renewed stability beckons for our market and the economy as a whole, once the current and inevitable disruption caused by the coronavirus has passed. We continue to monitor the Covid-19 situation carefully and respond accordingly as the condition develops. Our customers' needs will always come first, and we will continue to evolve our contingency plans as the situation develops.

The SimplyBiz Group is rooted in its unwavering commitment to the delivery of the highest-quality compliance support to all who use our services. We provide a myriad of services, compliance and technology to firms across the financial services market, with our core provision of regulatory support, the lifeblood of thousands of intermediary firms. During the past 12 months, understanding and implementing the changes necessitated by the Senior Managers and Certification Regime was a major challenge for advice firms and brokers. Equally, 2020 looks certain to herald yet more change, with the arrival of, amongst other regulatory focusses, the treatment of vulnerable clients.

There will always be policy and regulation change, motivated primarily and rightly by the desire to properly protect consumers, an objective we wholeheartedly support. Nonetheless, I would also stress the need for the FCA, to strike a proper balance between regulation and encouraging a robust and successful advice sector. Surveys consistently demonstrate that consumers who receive independent financial advice are significantly better off, financially and mentally, than those who do not receive advice. It is, therefore, critically important that the FCA avoids policies which risk damaging the availability of good advice; for example, the funding of the FSCS, which currently falls unfairly and wholly disproportionately on advisory firms. This is damaging the sector and must be addressed by the FCA.

Our focus is to ensure that we deliver the robust and reliable support needed by financial services intermediaries and you may be confident that the Group will continue to invest in training staff and, where necessary, recruiting new talent to help our growth. In addition, where appropriate, we will expand our range of services and acquire new businesses where we see benefit and opportunity. One of the keys to our success and growth has always been our willingness to diversify into new and emerging markets, combined with our in-depth understanding of how compliance and regulation affect these markets and the businesses within them.

From our Yorkshire base, your Group now operates from eight locations across the UK, employing over 500 dedicated professionals, supporting, at our year end, over 5,800 advisory businesses and around 350 financial institutions across the UK. They are served by a first-rate team of committed, hardworking and specialist staff, without whose dedication and positive attitude, the success we have achieved would not have been possible. Personally, and on your behalf, I would like to extend my gratitude to them all. Additionally, I would also like to thank my fellow Board members and our equally dedicated Non-Executive Directors for their support and commitment over the past 12 months.

In closing, I am confident of the continued future growth, development, and success of The SimplyBiz Group over the next 12 months.

Ken Davy
Chairman

“We have been extremely successful in expanding the breadth of support we deliver to the firms we serve.”

OUR VALUES

Customer-led

Our customers are vital in delivering the financial wellbeing and security of families and businesses throughout the UK. We are here to serve their needs, enabling them to deliver better outcomes and ensure they can be compliant with regulation and successful in running their businesses in a changing world. Our market insights and regulatory knowledge enables our customers to maximise the benefits from regulatory change, and our leadership in services and FinTech software ensures they capture the benefits of leading technology in their businesses.

Data-driven

We capture unique and valuable data to drive better outcomes. Our data informs consumer choice, guides financial planning and advice, and enables product providers to design and distribute better products. Our deep understanding of the needs of our customers helps us tailor and develop the right services for their businesses as they grow and develop.

Innovative

We aim to be bold, to lead our customers through change and to deliver services and software that transform their businesses.

+ See more about our values on page 13

Joint Chief Executive Officers' statement

Expanding our scale, developing our platform and increasing customer value

Creating a strong and successful future for our clients, our staff and our shareholders.

Highlights for the year

- Successful strategic acquisition and rapid integration of Defaqto
  - Significantly expands customer scale
  - Significantly expands the service platform
  - Significantly expands future opportunities
- Strong progress on software development and deployment
- Strong growth in value per customer
- Strong cost control maintaining strong operating margin

"The SimplyBiz Group continues to enable better outcomes for the retail financial services sector."

Neil Stevens **Matt Timmins**

The SimplyBiz Group is a leading independent provider of support services and software to financial advisers and financial institutions. The Group serves over 5,600 intermediary firms and more than 350 financial institutions in the UK.

The Group delivers a platform for intermediary firms to run a compliant and successful business and enables product providers to reach the market more effectively. Our unique product data and market insights inform the purchase decisions of financial advisers and consumers and we enable product providers to design and optimise higher quality products for their markets.

Overview

2019 was another significant year for SimplyBiz. The strategic acquisition of Defaqto, completed in March, instantly expanded the Group's customer base by over 50% and materially extended our software and service platform across all key sectors. Defaqto has been a leading research and FinTech provider for over 20 years and its brand is well known and respected amongst financial advisers, product providers and consumers. We are delighted to welcome these new colleagues into the SimplyBiz Group.

The Defaqto FinTech platform is used by over 5,800 advisers from 1,900 intermediary firms who were not previously customers of the Group and provides independent expert ratings of 21,000 financial products and funds. These product ratings are licensed by 250 financial services brands to help them communicate product quality to financial advisers and consumers. Defaqto has a proprietary, scalable and flexible digital platform. Its rich database of financial products and unique market insights assist with product design and inform financial adviser and end consumer purchase decisions.

The acquisition of Defaqto was completed through a combination of debt and equity. The Group remains confident of its ability to repay its borrowings as planned.

The strategic combination of SimplyBiz and Defaqto creates a single FinTech and support services Group, which now benefits from a significantly increased customer base and an extension of the number and range of distribution channels. The acquisition has already enhanced the Group's already strong and sustainable profit margins.

The Group has also continued to invest in its people and services by developing its compliance and technical teams to serve an increasingly complex and regulated Intermediary Services market, and to extend the range of support for its Distribution Channels.

Revenue grew by 24% to £62.8 million, reflecting a first time £11.8 million contribution from the acquisition of Defaqto since the date of acquisition on 21 March 2019, and £0.3 million (1%) of organic growth[1]. Strong growth in our core business was offset by the continuing softness in employee benefits and a slowdown of transactions in our valuations business.

Adjusted EBITDA[2] margin increased to a strong and stable 27.1% from 22.5% in the prior year.

Divisional performance

Following the acquisition of Defaqto the Group now operates as three divisions: Intermediary Services, Distribution Channels and Research & FinTech.

Intermediary Services performance

The Intermediary Services division provides business services and software to over 3,700 individual intermediary firms through a comprehensive membership model. The Group's members, which includes financial advisers, mortgage advisers and consumer credit broker firms, conduct regulated activities that require that they are authorised and regulated by the FCA. The member firms pay a monthly subscription fee for a core package of services and software, and then purchase additional services and software licences to suit their individual business needs. Revenues in this division grew to £24.2 million, (£23.3 million in 2018) and contributed 38% of Group revenue in the period. Adjusted EBITDA also grew to £5.6 million (£5.2 million in 2018).

Member firms as at 31 December 2019 were 3,728 (3,726 as at 31 December 2018) and revenue from membership fees increased by 9.4% to £10.3 million. Average income per member increased, primarily as a result of better penetration of services and bundled software to existing members, and by the launch of our "Signature" proposition to support higher value and larger member firms. With an increase in regulation, including the preparation for the first stage of the Senior Managers and Certification Regime (SM&CR), the Group has seen higher member engagement in its additional services. Additional services income increased strongly by 16% to £5.2 million.

The Group has continued to invest in software development following the launch of Centra, developed on Defaqto's software platform, in March 2018. Centra delivers a highly efficient "one-stop-shop" for financial planning that has been designed in consultation with our clients. The ongoing adoption and development of Centra delivers a key technology platform from which to launch future services. Furthermore, its integration to our third party vendor "back-office" software has helped grow software revenues strongly by 22% during the year, to £5.1 million.

The Group has invested in developing its SaaS employee benefits platform, Zest, over the previous three years. While it has secured several long-term contracts from well-known employer brands in the year, the revenue reduction from this non-core business has continued from £5.3 million in 2018 to £3.6 million in 2019.

Joint Chief Executive Officers' statement continued

Divisional performance continued

Distributions Channels

The Distribution Channels division continues to provide a highly effective and efficient distribution channel for over 135 financial institutions to reach an otherwise fragmented intermediary sector. The member firms that the Group serves rely on SimplyBiz to provide them with relevant and timely information about product providers' services and products across the market, collectively informing and facilitating better outcomes for their businesses and for their clients. The product providers achieve greater efficiency from our activities in this area and are better able to comply with their regulatory requirements. Revenues in this division totalled £26.8 million (£27.4 million in 2018) and contributed 43% of Group revenue in the period.

The Group has continued to build on its extensive events programme to cater for the expanding needs of both its intermediary and product provider customers. As well as delivering a significant programme of events and seminars in the period, the Group also provided a broad range of digital and traditional materials to deliver product provider brand and product communications to its members. The Group's marketing services present product providers with access to over 25% of the total retail financial service marketplace. Income in the period increased by 5% to £7.2 million, from £6.9 million in FY18. During the year the Group also launched its outsourced distribution service, which provides product providers with an additional efficient distribution contact channel for targeted marketing.

SimplyBiz Mortgages is the UK's third largest mortgage club, with over 1,600 mortgage members benefiting from access to a dedicated support service and preferred products from key lenders. Despite overall market conditions, Mortgage Services revenues increased by 4% to £6.8 million, as a result of higher levels of lending through the Group's mortgage club. Mortgage completions increased to over £16 billion.

Growth in product provider and mortgage services income was offset by a 14% reduction in income from property valuations, due to a UK wide slowdown in the number of housing transactions. The overall impact on EBITDA was limited to less than £0.1 million due to our flexible business operating model.

The Group's investment business, Verbatim, saw revenues grow to £2.3 million from £2.2 million (up 7%), in the year.

Research & FinTech performance

Revenues in this division were £11.8 million and Adjusted EBITDA was £4.9 million, wholly reflecting the strategic acquisition of Defaqto on 21 March 2019. There have been no allocations of other Group revenues or costs to this segment in the year.

The integration of Defaqto into the Group has been rapid and successful, with strong alignment of culture and objectives achieved early in the process. The strength of the customer relationships and the widespread ethos of delivering excellent service quality in Defaqto are highly aligned with that of the wider Group. Cross-business working has been established, resulting in the design and development of new software products and an exciting expanded suite of market-insight services ready to take to market.

The financial performance of Defaqto in the period since acquisition was strong and fully met our expectations.

The Defaqto FinTech platform is used by over 9,500 users and provides independent ratings of 21,000 financial products and funds, licensed by 250 financial services brands. Defaqto has a proprietary, scalable and flexible digital platform, supporting a rich database of financial products and providing unique information and insights to aid consumer and adviser purchase decisions.

The core strength of Defaqto lies in both its large dual customer base and its management team. The SimplyBiz Group had previously worked closely with Defaqto during the 18 months over which it developed its Centra software solution, which now serves to bring unique and valuable insight to the market.

Market overview

Intermediary firms continue to grow revenue as the profession adapts and innovates to meet increasing customer demand and the need for a broader range of financial services. Client numbers are strong for the sector as a whole and data from the Office for Budget Responsibility ("OBR") suggests a period of rising saving ratios is likely.

Regulation continues to advance and 2020 will see the planned introduction of the fifth Money Laundering Directive and the requirements of SM&CR introduced for all solo-FCA regulated firms. The key challenges for financial advisers are likely to centre on the need to develop their advice and business models to meet more complex client needs efficiently, while managing continued regulatory changes in their business. Delays in processing new applications at the Financial Conduct Authority and a more difficult professional indemnity insurance market has increased the time and added complexity to our recruitment of new member firms from networks, but this remains healthy.

Product providers are responding as the regulator and the market continues to put downwards pressure on fees. We have seen, and anticipate a continuation of, consolidation in the product provider, asset manager and platform sectors of the market.

Market competition has generally increased in 2019. Our platform has expanded significantly and the Group will serve both its direct members, as before, while also serving other financial intermediaries in whatever their chosen business structure through our provision of FinTech software.

Strategic priorities

The significantly increased customer scale and extension of our service and software platform achieved in 2019 places greater emphasis on increasing value from existing customers and serving new customers with our market leading FinTech services.

Our unique product data and market insights will provide a valuable service for product providers to comply with regulations and be more effective in the market.

The breadth of the Group's core membership and FinTech customers will in turn enable the expansion of its Distribution Channels.

Outlook

The Board is confident and optimistic about 2020. We are guiding to marginally lower growth in revenues and EBITDA, particularly in employee benefits and valuations. Operational gearing will flow through to earnings, partly mitigated by a reduction in the effective tax rate. No guidance is being provided other than for 2020.

Recognising that external challenges facing all companies at this moment are still developing, the Board expects both headline and underlying growth to remain strong.

Neil Stevens and Matt Timmins
Joint Chief Executive Officers
The SimplyBiz Group

1 Organic growth is defined as the year on year increase in a financial metric, excluding the impact of acquisitions.

2 Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation of intangible assets arising on acquisition and operating exceptional costs. Adjusted profit before and profit after tax exclude operating exceptional costs, exceptional finance charges and amortisation of intangible assets arising on acquisition. In the current year the measures have also been adjusted for the impact of adopting IFRS 16. A reconciliation of these metrics to GAAP measures is provided in note 9. Adjusted earnings per share is calculated based on adjusted profit after tax, as shown in note 14.

Creating better outcomes

The Group's business model creates better outcomes for all stakeholders and is customer-led, data-driven and innovative. Its platform is robust and scalable, ready for future expansion and growth.

Our key relationships

- **Consumers**
- **Financial intermediaries**
- **Employers**
- **Employees**
- **Product providers**
- **Shareholders**
- **Regulators**

Services deliver better outcomes

Intermediary Services Division

- Membership package
- Additional support services
- Software
- Employee benefits platform

Distribution Channels Division

- Marketing Services
- Mortgage panel and transaction services
- Protection and insurance panel
- Investment products

Research & FinTech

- Data services for intermediaries and product providers
- Product research and ratings
- Financial planning and research software
- Educational content to inform decision making
- Market insight and analytics

What makes SimplyBiz different

Relationships

- The SimplyBiz Group maintains its reputation of integrity, transparency and delivering on its promises. This has allowed it to build strong and mutually beneficial relationships with consumers, financial intermediaries, employers and employees, product providers and regulators.
- It has built strong relationships with trade organisations, accredited bodies and regulators, which enable it to be involved in decisions that improve the retail financial services sector and strengthen the services it offers to the customers we serve.
- The strategic acquisition of Defaqto significantly increased both its intermediary and product provider customers.

Expertise

- As a leader in its market, the Group employs the best talent in the industry and continually develops its people by funding training and development opportunities. The Group's 500+ strong team remains amongst the most qualified, expert and experienced in its market.

Regulatory environment

- Effective regulation of the financial services industry is essential for ensuring good outcomes for consumers. It can also create a heavy burden for financial intermediaries and product providers, sometimes reducing the time and resources they can spend with their clients.
- The Group provides the leadership and understanding and delivers the practical support and software that enables our customers to be compliant with changing regulation while maximising their focus on delivering better outcomes for their consumers, and a more successful business for our customers.

Thought leadership

- The Group is at the forefront of key discussions and ideas on regulatory policy. The Group ensure the views of our customers are heard by regulators, industry bodies and the trade and consumer press.

Software and technology

- The SimplyBiz Group delivers leading digital and software solutions that enable our customers to provide efficient and informed advice to their clients. CENTRA, our unique financial planning and advice platform, has been further developed to offer more solutions to our customers. The strategic acquisition of Defaqto expands our digital platform to over 9,500 advisers. We deliver unique data driven insights to product provider partners, enabling them to understand product positioning, performance and appropriateness for the markets they serve.

How we create value

For shareholders

- The Group maintains a progressive dividend policy paying one-third of profits after tax, with the remaining two-thirds re-invested in the organic and inorganic growth of the business.

Total dividend

4.26p

For members

- The SimplyBiz Group understands and responds to the changing needs of our customers. It is continually expanding and improving its product offering to ensure its customers are fully prepared for evolving regulation, and they are positioned to benefit from changes and opportunities. The Group continues to focus on education and continual professional development of our customers through its extensive programme of events and training.

Training events provided

400+

For employees

- The professional, expert and passionate employees of The SimplyBiz Group deliver the highest quality of service to our customers. The Group continues to invest in the retention and development of its staff. During the year the Group supported a range of individuals through professional qualifications; from new Apprenticeships through to Level 7 (Masters) qualifications.

For the industry

- The Group's customers are vital in delivering the financial wellbeing and security of families and businesses throughout the UK. Their success contributes to effective markets and better outcomes for society and the economy.
- The Group is committed to ensuring the continued success and growth of our customers and promoting broader access to financial advice and financial education.

Markets

Strong market drivers

The market supports continued customer growth and success, creating opportunities for the Group to provide the services its customers need as they develop and grow.

Intermediary growth and the move to direct authorisation

The intermediary market is growing and transitioning to a directly authorised model that reduces costs and increases control for business owners. The Group's services are ideally positioned to support this transition and provide the software and services platform for its customers' ongoing success.

A strong position:

- We continually invest in our regulatory compliance services, digital platform, knowledge and people to provide a comprehensive service for our customers. The Group's authorisation support service is market leading.
- New services are in direct response to the changes in regulation and business needs of our customers.
- Regulatory delays in the year have reduced capacity for businesses transitioning to direct authorisation, increasing our take-on time for new customers.

Intermediary businesses have strong trading and sound fundamentals

Intermediary revenues and consumer demand is increasing. The Group's business model directly benefits from this growth through the membership offering.

A strong position:

- The Group is positioned to benefit from providing additional support services and software to its customers. Continual innovation of digital and traditional products presents the Group with opportunities to extend its customer relationships.
- The changes in regulation bring new sectors of the market closer to the Group's core business and create new growth opportunities, notably the Discretionary Fund Management sector in 2019.

Increased propensity to outsource

The Directors have observed an increased propensity of directly authorised firms to buy in services from compliance support providers.

A strong position:

- The Group continued to invest in its compliance teams and infrastructure to ensure that its services remained market leading.

Mortgage market increasing intermediation

The mortgage market review in 2014, leading to rapid expansion in the Group's mortgage club and transaction services to mortgage lenders.

A strong position:

- The Group has continued to strengthen and develop the mortgage club.
- Combining the Group's previous surveyor service with the 2018 acquisition of Landmark Surveyors has enabled it to strengthen capabilities and responsiveness in this market, but has added exposure to the housing market cycle.

Increased regulation from multiple regulators

The Group has developed and grown its services in anticipation of, and in response to, the evolving regulatory landscape. This includes numerous regulatory reviews, often leading to the introduction of new legislation, that affect the way in which financial intermediaries conduct business.

A strong position:

- The introduction of MiFID II in 2018 is expected to lead to increased use of technology and centralised research by intermediaries and was a key driver in the development of the Group's CENTRA software.
- The introduction of the General Data Protection Regulation led the Group to launch its GDPR Hub to existing customers.
- The Group continues to develop its products to enable its customers to effectively embed Senior Managers & Certification Regime (SM&CR).

Increased competition and "exit" events

The Directors have observed a more competitive environment with more credible choices for intermediary firms to operate, and eventually exit the sector.

A strong position:

- The Group's value proposition and services are market leading.
- Intermediary customers are creating valuable businesses, and will want to realise this value at a point that is right for their business. Consolidator models exist and are developing acquisition models that could attract the Group's customers.
- The Group has developed its services to provide support to customers looking to realise the value in their business.

Our strategy

Positioned for growth

The Group's strong platform of support services and software provides a market leading position for future growth. The emphasis for organic growth is through increasing value from existing customers and serving new customers with our market leading FinTech services and market insights. Our strategy has three core values:

Customer-led.

The Group's market insights and regulatory knowledge enables our customers to maximise the benefits from regulatory change, and our leadership in services and FinTech software ensures they capture the benefits of leading technology in their businesses.

Focus in FY19

The Group launched several new services to add value to our customers. It broadened its SimplyRefer offering to include later life care planning and Lasting Power of Attorney services. These new services enabled intermediary customers to refer areas of client advice that they do not wish – or are not qualified to advise upon to a quality partner panel. The Group introduced a 'retirement and exit' service for intermediary customers leaving the industry and launched services to support advisers to meet the new demands of the Senior Managers and Certification Regime ("SM&CR").

Our priorities for FY20

The Group will continue to expand its solutions to intermediary customers looking to exit the market as well as continuing to grow our core offering. We have several enhancements in progress to our best in breed adviser system ("CENTRA") which we will also bring to the market in 2020.

Data-driven.

The Group's data informs consumer choice, guides financial planning and advice, and enables product providers to design and distribute better products. Its deep understanding of the needs of its customers helps it to tailor and develop the right services for their businesses as they grow and develop.

Focus in FY19

The Group has developed and delivered a test launch of its Insights proposition to our product provider partners. This innovative solution provides analytics to the product manufacturers to better understand consumer and intermediary needs, and deliver better outcomes. The strategic acquisition of Defaqto significantly increases the Group's data and analysis capabilities. This has already led to the launch of new software services to our intermediary customers.

Our priorities for FY20

The Group continues to focus on creating value from its data and research by providing new services to its product provider customers and better equipping its intermediary customers with rich data and unique insights.

Innovation.

The Group is bold, leading its customers through change and delivering services and software than transform their businesses.

Focus in FY19

The new Signature proposition launched, providing a bespoke service designed to meet the needs of larger advisory and wealth management specialists. The Group is able to expand its services to a new customer set that offers significant growth opportunities.

Our priorities for FY20

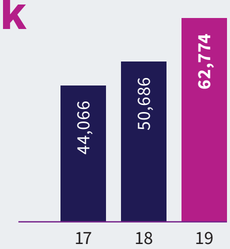
The Group's Signature proposition will continue to develop and grow customers.

KEY PERFORMANCE INDICATORS

Revenue (£000)

£62,774k

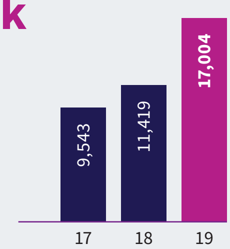
+23.8%



Adjusted EBITDA* (£000)

£17,004k

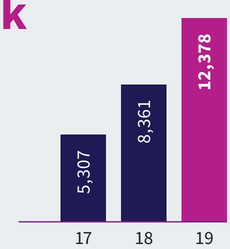
+48.9%



Adjusted profit after tax* (£000)

£12,378k

+48.1%



* A reconciliation of non-GAAP measures presented to the GAAP measures is provided in notes 9 and 14.

Financial review

2019 was a transformational year for the Group

The high level of revenue visibility and recurring nature of revenues give the Directors confidence for 2020.

Gareth Hague

Revenue

Revenue grew by 24% to £62.8 million, reflecting an £11.8 million first time contribution from the acquisition of Defaqto from 21 March 2019 and £0.3 million (1%) of organic growth. Organic growth is calculated as the year on year increase in revenue, excluding the impact of the Defaqto acquisition.

The headline organic growth rate of 1% includes strong growth in our core revenue streams for membership fees (£0.9 million, 9%), additional membership services (£0.7 million, 16%) and software licence income (£0.9 million, 22%). This growth is offset by a £1.3 million (14%) reduction in valuation services revenues, due to lower volumes in line with a subdued housing market, and a £1.7 million (32%) reduction in Employee Benefit Software revenues, largely due to the re-platforming of that business.

Operating Profit and Adjusted EBITDA margin

Operating profit increased by 78% to £12.0 million, after exceptional charges of £2.0 million (2018: £3.8 million).

Adjusted EBITDA margin is calculated as Adjusted EBITDA (as defined in note 9), divided by revenue. Whilst Adjusted EBITDA is not a statutory measure, the Board believe it is a highly useful measure of the underlying trade and operations of the Group, excluding one-off and non-cash items.

Adjusted EBITDA margin increased to 27.1% (2018: 22.5%) largely as a result of the stronger margin revenues from Defaqto. In the organic business, margin grew from 22.5% in 2018 to 23.8%, as the Group was able to offset revenue reductions through strong and effective cost management and achieving good growth in operating margins across the core business.

Operating costs of an exceptional nature

Exceptional operating costs include £1.6 million of professional fees in respect of the acquisition of Defaqto and £0.4 million of termination costs. In addition, £0.9 million of costs in respect of the equity raised for the transaction, which had been recognised within operating costs of an exceptional nature in the 2019 half year results, have now been charged to the share premium account, with the revised treatment deemed to be more appropriate.

Share-based payments

Share-based payment charges of £0.5 million (2018: £0.3 million) have been recognised in respect of the options issued in the prior year, as well as the additional options issued in 2019. The increase in the charge reflects the full period of issue in 2019 and additional schemes issued in H2 2018 and 2019.

Financial income and expense

Finance expense in 2018 included one-off charges totalling £1.6 million on early settlement of retired debt and share warrants.

Taxation

The tax charge for the year includes the beneficial impact of research and development claims submitted in respect of 2018, offset by non-deductible costs incurred during the acquisition of Defaqto.

Earnings per share ("EPS")

Earnings per share has been calculated based on the weighted average number of shares in issue in both periods. The diluted weighted average number of shares, included in the diluted EPS calculation (note 14), has increased in 2019 as a result of the required equity hurdle in the Management Incentive Plan being exceeded (note 29).

Dividends

The Board declared and paid an interim dividend of 1.41 pence per share in respect of FY19, and is proposing a final dividend of 2.85 pence per share. The full-year dividend of 4.26 pence per share compares to a dividend of 3.03 pence per share for the 9 months to 31 December 2018, post IPO. The final dividend will be paid on 4 May 2020, to shareholders on the register on 20 March 2020.

The Group will continue to apply its policy of paying one-third of adjusted profit after tax as a full-year dividend to shareholders. Going forward the Group will pay its interim dividend equal to one-third of the prior year adjusted profit after tax, with the final dividend balancing the total amount paid to one-third of the current year adjusted profit after tax.

Cash flow and closing net cash

At 31 December 2019 the Group had net debt of £27.0 million, as compared to £6.4 million of net cash at 31 December 2018, prior to the acquisition of Defaqto in March 2019. Net debt is calculated as borrowings less cash and cash equivalents and amortised arrangement fees. Since the acquisition of Defaqto, the Group has repaid £7.0 million of its Revolving Credit Facility, and finished the year with a comfortable Adjusted EBITDA to net debt leverage ratio of 1.6 times.

Free cash flow conversion was 48% for 2019, vs 71% in 2018. Whilst free cash flow in the organic business remained strong, it was lower in 2019 as the cash profile in Defaqto is weighted higher to the first quarter of the year, which was prior to the acquisition.

Free cash flow conversion is calculated as net cash generated from operating activities, less working capital movements, CAPEX, development expenditure, corporation tax payable and interest as a percentage of Adjusted EBITDA. A reconciliation of free cash flow is provided in note 9.

Accounting policies

The Group's consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the EU. During the year, the Group adopted IFRS 16 Leases, using the modified retrospective approach, as explained further on pages 47 and 48.

Going concern

On this basis of the Group's current and forecast profitability and cash flows, and the availability of committed funding, the Directors consider and have concluded that the Group will have adequate resources to continue in operational existence for the foreseeable future. On this basis they continue to adopt a going concern basis in the preparation of the financial statements.

Financial results

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Group revenue	**62,774**	50,686
Expenses	**(45,046)**	(39,267)
Impact of IFRS 16 accounting standard*	**(724)**	—
Underlying operating expenses	**(45,770)**	(39,267)
Adjusted EBITDA	**17,004**	11,419
Adjusted EBITDA margin %	**27.1%**	22.5%
Depreciation	**(286)**	(256)
Amortisation of development expenditure and software	**(633)**	(133)
Adjusted EBIT	**16,085**	11,030
Depreciation of lease asset	**(707)**	—
Operating costs of an exceptional nature	**(2,009)**	(3,829)
Impact of IFRS 16 accounting standard*	**724**	—
Share option charges	**(512)**	(320)
Amortisation of other intangible assets	**(1,579)**	(124)
Net finance costs	**(1,158)**	(2,523)
Profit before tax	**10,844**	4,234
Taxation	**(2,218)**	(1,385)
Profit after tax	**8,626**	2,849
Adjusted earnings per share (EPS)	**13.40p**	11.62p

* Adoption of IFRS 16 Leases using the modified retrospective approach resulted in a reduction in lease costs recognised in underlying expenses, offset by depreciation of the lease asset and finance charges on the lease liability. To provide comparable Adjusted EBITDA to 2018, the beneficial impact has been removed in the current year in the Adjusted EBITDA calculation.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out on pages 16 and 17.

Gareth Hague
Group Finance Director

Risk management report

Focussed risk management

The Board is responsible for oversight of risks to safeguard that the business is not exposed to either unnecessary risks or insufficient management of those risks.

We understand that some risks are inherent in our business activities and can relate to internal and external strategic threats, operational issues, compliance with laws and our reporting obligations.

We recognise that not all risks are created equal, and that it is both practical and appropriate to put in place a system of assessing both the likelihood of a risk event occurring and also the impact a realised risk would have on our operations. Our assessment system provides a grading of risks by multiplying a value based on the impact of the risk by a value based on the likelihood of its occurrence and, dependent on the final value, they are categorised as minor, moderate or major risks.

Principal risks are monitored and overseen by our Board and Audit Committee whilst oversight of the remaining lower materiality rests with our Governance Committee and our risk owners. A summary of the current principal risks, mitigating actions and status is shown below.

This diagram below illustrates examples of how we manage risk across the organisation, this is unchanged from 2019 although initial work to integrate Defaqto's risk management into the Group progresses well; further improvements to risk management are planned during 2020 as part of our continual cycle of improvement:

Risk description	Mitigating actions	Impact potential	Change
Evolution of the regulatory environment			
Whilst changes in the regulatory environment can represent a significant opportunity to the Group, they also pose a risk if any activities became regulated or prohibited or if the Group fails to adapt its product offering.	• The Group continually invests in the development of its products in order to ensure that they are relevant to the latest regulatory requirements. • Regular reviews of regulatory landscape and commentary are completed and reviewed at Board level. • Income revenues are well diversified. • Regular reviews of perimeter guidance to understand the potential for any services of the Group to become regulated activity. • A cross-company working group includes Defaqto in this ongoing assessment of regulatory threats.	Moderate	The Group is aware of an increased regulatory burden on intermediary firms. The Group is always looking to develop its product offerings to protect itself from this risk. The acquisition of Defaqto further diversified our offering.

Risk description	Mitigating actions	Impact potential	Change
Key personnel			
Loss of any key individual or the inability to attract appropriate personnel could impact on the Group's ability to execute its business strategy which could negatively impact upon the Group's future performance.	• Contractual arrangements and long-term incentive schemes aim to secure the services of the Executive Directors. The Group's Remuneration Committee actively considers its employee packages to support the attraction and retention of staff. • The Nomination Committee actively reviews succession plans.	Moderate	▼ The Group further strengthened the Board composition in 2019 with the recruitment of a Senior Independent Non-Executive Director.
Loss of key partners			
If the Group's relationship with these partners terminates and the Group is unable to replace those partners, the Group financial condition could be adversely affected.	• Our revenue streams remain well diversified and we have low customer concentration with no single client contributing in excess of 1% of Group turnover. • We have a strong programme of engagement with our client base.	Low	▶ The Company commissioned independent research to understand risks and is strengthening its approach yet further.
Data integrity and cyber security			
There is a risk to the Group if there is unauthorised access to or integrity issues with its data systems.	• The Group conducts regular review of its network security arrangements, maintaining as a minimum Cyber Essential Plus accreditation. • All staff receive regular training on cyber threats and other data loss/integrity risks. • Access to data is provided only to those individuals with a genuine business need. • Where data is shared external to the Group this is done under contractual arrangements. • An independent IT review has been conducted on Defaqto.	Moderate	▲ The Group continues to monitor and respond to this threat. The Group's ICT platform will be upgraded to Microsoft Cloud.
Financial shock outside the Group's control			
Uncertain economic prospects or a sustained period of financial instability could result in stagnation in the financial services industry and therefore in turn on the Group.	• The Group maintains diversified revenue streams. • The Board regularly reviews the financial markets for trends and deploys and amends its resources based on these assessments.	Moderate	▲ The increased stability following the completion of the UK's initial withdrawal from the EU is noted; however, an increased risk of a second Scottish independence referendum, combined with the unknown nature of future trade deals, means this risk remains under close monitoring. The Board is carefully reviewing the emerging risk of coronavirus and developing appropriate mitigation plans.
Reputational risk			
Deterioration in the market perception of the Group could lead to a loss of business.	• The business culture, processes and controls result in a strong brand that is monitored regularly by the Board.	Significant	▲ The Group maintains a broad control framework to ensure brand value. The Defaqto brand has strong consumer recognition and a strong culture and process in place to protect value.
Competition			
A risk to the Group that a competing company attracts its membership through alternative service or pricing models.	• The Board regularly reviews its membership base including attrition. • Competitor and wider industry changes are routinely monitored. • The Group benefits from high barriers to entry.	Moderate	▶ Attrition of the membership base increased in the year; however, a significant portion of this was attributed to members leaving the industry (for example due to retirement) rather than loss to competitors.
Defaqto integration			
The integration of Defaqto increases the Group's scope of operational and financial control risk.	• The Group CEOs have assumed direct leadership of the Defaqto business. • The Group's CFO has established strong financial review and reconciliation. • Reporting formats are established and were further improved in 2019.	Moderate	New Defaqto has the same customer types and service areas as the Group.

The Strategic report set out on pages 1 to 17 has been approved by the Board on 9 March 2020.

NM Stevens
Director

▶ No change ▼ Risk reduced ▲ Risk increased

Board of Directors

Ken Davy
Non-Executive Chairman

AC RC NC

Ken is the Non-Executive Chairman and founder of The SimplyBiz Group. In 2012, Ken celebrated four decades as an eminent and respected figure in the financial services profession.

In addition to the many awards The SimplyBiz Group has received under Ken's guidance, he has personally been awarded several outstanding contribution to financial services and lifetime achievement awards, as well as an Honorary Doctorate in Business Administration from the University of Huddersfield and an Honorary Fellowship of the Chartered Insurance Institute.

Neil Stevens
Joint Chief Executive Officer

As Joint CEO, Neil leads all aspects of vision and strategy for the Group together with Matt Timmins.

Neil joined SimplyBiz as a consultant in 2003 before being appointed to the Board in early 2004. He was appointed Joint CEO of The SimplyBiz Group in 2010 and is the Executive Chairman of Defaqto and Verbatim Asset Management.

He has executive responsibility for the operations and governance of the Group, with a strong background in business delivery and creating innovative propositions.

Neil works closely with the UK life, pensions and investment industries to deliver solutions for advisers and has been active in many industry forums.

He has worked as a management consultant in the UK and Europe and has an engineering degree from UCE and an MBA from Manchester Metropolitan University.

Matt Timmins
Joint Chief Executive Officer

Matt joined SimplyBiz at its inception in 2002 as Marketing Director, and was appointed Joint Managing Director of the Group in May 2010.

He now serves as Joint CEO of The SimplyBiz Group, alongside Neil Stevens, leading the vision and strategy for the Group. He has executive responsibility for the Sales and Marketing activities of the Group, as well as key distribution relationships with both insurance and investment companies.

Matt runs several of the key subsidiaries within the business including SimplyBiz Services, SimplyBiz Mortgages, Gateway Surveying Services, NMBA and SimplyBiz Support. Matt is also Chairman of Zest, the Group's provider of SAAS technology for the auto-enrolment and flexible benefits market.

His previous employment includes senior roles at GE Capital, Misys and DBS Financial Management.

Gareth Hague
Group Finance Director

Gareth joined The SimplyBiz Group in 2016 as Group Financial Controller, managing the finances of the Company including key financial reporting, before becoming Group Finance Director in 2018. Prior to joining SimplyBiz, Gareth was Head of Financial Reporting at Pace plc, a FTSE 250-listed business, with annual turnover of $2.6 billion. During his five years at Pace, Gareth built his experience of working within a listed environment.

Gareth also spent nine years at PwC, where he trained as a Chartered Accountant of the ICAEW. Whilst at PwC, Gareth managed audit and transaction engagements for listed, private equity and private clients across a broad range of sizes and industries, giving him a breadth of knowledge and experience.

Tim Trotter

Non-Executive Director

AC RC NC

Tim worked with The SimplyBiz Group as a senior adviser in the latter part of 2013, including during the firm's acquisition of the flexible benefits and auto-enrolment software provider Zest. He is currently Chairman of Glenfern, bfinance, Alantra (UK), Instinctif and Lucid Group and a senior adviser to Baird Capital Partners Europe and was a founding shareholder of Citywire.

Prior to this, Tim was the founder, Chairman and Chief Executive of Ludgate Group, the international public and investor relations consultancy. He established operations in London, New York, Hong Kong, Frankfurt and Mumbai. Principal investors included Cinven and Baird and the Group was later acquired by Interpublic.

Tim Clarke

Independent Non-Executive Director

AC RC NC

In his 25-year career, Tim has been a Partner at both KPMG and BDO. He played a leading role in establishing KPMG's corporate finance team in the North in the early 1990s and spent two years working for the private equity unit in London. Tim established BDO Corporate Finance in Leeds in 2003 and has built the team that delivered a track record of notable transactions, involving private, public and private equity owned companies.

Tim has also managed a subsidiary of a regional bank and spent time as an independent member of the UMIST Ventures credit committee. He qualified as a Chartered Accountant in 1988 and has a degree in Economics and Accountancy from Lancaster University.

Gary Hughes

Senior Independent Non-Executive Director

AC RC NC

Gary Hughes qualified as a Chartered Accountant at Ernst & Young, before moving to take up various senior industry roles in both the public markets and in private equity. Gary is also a highly experienced non-executive, having sat on boards of major companies in the UK, North America and the Middle East. Gary has also been a senior adviser at Apax Partners and advised at board level for a number of its major investments across multiple territories.

Key of Committee membership:

- AC Audit Committee
- RC Remuneration Committee
- NC Nomination Committee
- Chair of Committee

Corporate governance

The Board is committed by maintaining high standards of corporate governance.

Ken Davy

CHAIRMAN'S INTRODUCTORY STATEMENT

The Board are committed to ensuring sound governance arrangements are embedded across the Company. The Board has, since 2018, adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), which it believes is the governance framework that is most suitable for the Company, its subsidiaries and subsidiary undertakings having regard to its strategy as well as its size, nature and resources. The Board believes that it does not depart from any of the principles of the QCA Code.

We continue to review our approach to governance and how the views of stakeholders are represented in our oversight of the business. To that end, I will meet with shareholders as necessary. Feedback on both operational and governance matters from those meetings continues to form part of the Board's agenda.

The Company continues to actively monitor and respond to new regulatory and government initiatives relating to governance. Where relevant, we share information of our approach to and performance against these requirements via the Company's website.

The Board

The Group Board is comprised of three Executive Directors and four Non-Executive Directors ("NEDs") (including the Chairman). Two of the Non-Executive Directors are considered to be independent. The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively. In January 2019, Gary Hughes, Senior Independent Non-Executive Director joined the Board to further strengthen the NED profile. Additionally, in May 2019, Vicky Williams was formally appointed as Group Company Secretary.

All Board members have clearly defined roles and responsibilities. We have articulated these roles and responsibilities and have clearly documented matters reserved for the Board as well as having clear and transparent terms of reference for all the Committees of the Board. These can be found on the Company's website.

The Board typically meets eight times per annum. Additional meetings are held as necessary and during 2019 the Board met 11 times. Attendance is shown in the table opposite. To enable the Board to discharge its duties, all Directors receive appropriate and timely information prior to these meetings. A formal Board programme is agreed before the start of each financial year. This is structured, as far as possible, to align with the Group's annual financial reporting.

The Board is responsible for the long-term performance of the Group. Specific matters are reserved for the Board. These are set out on the Company's website and include Group strategy, corporate and capital structures, approval of key financial matters (including annual and interim results, budgets and dividend policy), material contracts and Board membership and remuneration.

The Chairman, aided by the Company Secretary, is responsible for ensuring that, to inform decision making, Directors receive accurate, sufficient and timely information. The Company Secretary compiles the Board and Committee papers which are circulated to Directors prior to meetings. The Company Secretary also ensures that any feedback or suggestions for improvement on Board papers is fed back to management. The Company Secretary provides minutes of each meeting and every Director is aware of the right to

Board meeting attendance

The attendance of Directors at Board meetings is indicated in the table below:

Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Sep	Oct	Nov	Dec	Summary
Ken Davy	●	●	●	●	●	●	●	●	●	●	●	100%
Matt Timmins	●	●	●	●	○	●	●	●	●	●	●	91%
Neil Stevens	●	●	●	●	●	●	●	●	●	●	●	100%
Gareth Hague	●	●	●	●	●	●	●	●	●	●	●	100%
Tim Trotter	●	●	●	●	●	●	●	●	●	●	●	100%
Tim Clarke	●	●	●	●	●	●	●	●	●	●	○	91%
Gary Hughes	●	●	○	○	●	●	●	●	●	●	●	82%

● Attended ○ Did not attend

have any concerns minuted and to seek independent advice at the Group's expense where appropriate.

The Board Committees

The Board is supported by the Audit, Nomination and Remuneration Committees, each chaired by one of our Non-Executive Directors. Each Committee has access to the resources, information and advice that it deems necessary, at the cost of the Group, to enable the Committee to discharge its duties.

Audit Committee

Name	3 meetings		
Ken Davy	●	●	●
Gary Hughes	●	●	●
Tim Trotter	●	●	○
Tim Clarke	●	●	●

The Company has an established Audit Committee chaired by Gary Hughes. The Group's external auditor and the Group Finance Director are invited to attend the Audit Committee meetings. The Audit Committee's primary responsibility is the monitoring of the financial integrity of the financial statements of the Group including compliance with and appropriateness of accounting policies. Overall responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The Audit Committee meets at appropriate times in the financial reporting and audit cycle. The terms of reference of the Audit Committee cover issues such as membership and the frequency of meetings, together with the quorum and right to attend meetings.

Any non-audit services that are to be provided by the external auditor are reviewed by the Committee in order to ensure auditor objectivity and independence. The external auditor has the opportunity during the Audit Committee meetings to meet privately with Committee members in the absence of executive management.

The Audit Committee is also responsible for reviewing the Company's procedures for the identification, assessment, management and reporting of risks and for determining the need for an internal audit function within the Group.

Remuneration Committee

Name	3 meetings		
Ken Davy	●	○	●
Gary Hughes	●	○	●
Tim Trotter	●	●	●
Tim Clarke	●	●	●

The Remuneration Committee, chaired by Tim Clarke, is responsible for developing the policy on executive remuneration and to set the remuneration packages of individual Directors. Although members of the executive management are from time to time invited to attend the Remuneration Committee, they are not permitted to be present during the debate or decisions regarding their own remuneration.

Nomination Committee

Name	2 meetings	
Ken Davy	●	●
Gary Hughes	●	●
Tim Trotter	●	●
Tim Clarke	●	○

The Nomination Committee holds the primary responsibility of establishing and maintaining a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The Committee also regularly reviews the structure, size and composition of the Board as well as succession planning and the time commitments needed from Non-Executive Directors. The Committee is chaired by Tim Trotter.

Corporate governance report continued

Relations with shareholders

The Company engages regularly with its shareholders through formal meetings, informal communications and stock exchange announcements.

Members of the Group Board (including the Joint Chief Executive Officers and the Group Finance Director) meet formally with institutional shareholders following results announcements, presenting Company results, articulating strategy and updating shareholders on progress.

The Group is committed to ensuring that good relations are nurtured with a range of stakeholders both internally and externally. Feedback as to how we perform as a Company to all our stakeholders is important and we try and continue to improve and develop systems we have in place.

Risk management and internal controls

The Board has ultimate responsibility for the Group's system of internal controls and for reviewing their effectiveness. However, any such system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group has in place a number of controls including, but not limited to, risk assessment, monitoring, processes, written policies, clear organisational structures and reporting lines, and regular updates on the performance of these controls are provided to the Board and the Audit Committee.

The Group maintains full oversight of the Company budget and undergoes a rigorous quarterly revaluation process to provide a clear view of the Group's performance throughout the financial year.

The Board considers that the internal controls in place are appropriate and effective for the Group. At this time the Board is satisfied that an internal audit function is not needed at this stage of the Company's development; however, this matter is kept under regular review by the Audit Committee.

Further information on what the Board does to manage risk is set out on pages 16 and 17.

Group culture

The Board is committed to promoting a strong ethical and values-driven culture throughout the organisation. We are continuing to develop and communicate a set of values that explain how we are as a company and what is important to us.

Our people are at the core of what we do. Having a people-oriented ethos, where teamwork and commitment are recognised, is central to the success of our strategy. We pride ourselves on nurturing talent with a number of our colleagues being supported through professional qualifications and work-based training programmes. We also believe in supporting young people to succeed in financial services and have supported a number of apprentices both via direct employment and via our New Model Business Academy Apprenticeship programme.

We understand that people need to enjoy what they do; we recognise those who demonstrate our values both informally and through recognition schemes. We have set policies and procedures in place to ensure our colleagues know the standards that are expected of them. Where concerns are identified, we have formal processes and ethics policies in place to investigate and address any areas where we consider individuals have not acted in an appropriate manner.

s172 Companies Act 2006

As a Board we have always taken decisions for the long-term and collectively and individually our aim is always to uphold the highest standard of conduct. Similarly, we understand that our business can only grow and prosper over the long-term if we understand and respect the views and needs of our customers, colleagues and the communities in which we operate, as well as our suppliers, the environment and the shareholders to whom we are accountable. This is reflected in our business principles.

We ensure that the requirements of s172 Companies Act 2006 are met and the interests of our stakeholder groups are considered through a combination of the following:

- standing agenda points and papers presented at each Board meeting;
- a rolling agenda of matters to be considered by the Board throughout the year, which includes a strategy review day, which considers the Group strategy for the following year, supported by the budget for the following year and a medium-term financial plan;
- regular scheduled Board presentations and reports; for example, investor reports on a monthly basis, updates on operational matters, Health & Safety updates; and
- regular engagement with our stakeholders.

Ken Davy
Non-Executive Chairman

"The Board is committed to promoting a strong ethical and values-driven culture throughout the organisation."

Ken Davy

Audit Committee report

Gary Hughes

On behalf of the Board, I am pleased to present the Audit Committee report for the period ended 31 December 2019.

The Audit Committee provides formal and transparent arrangements for considering how to apply financial reporting and internal control principles, and to maintain an appropriate relationship with the Company's auditor.

The Committee's role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by the external auditor and advising on the appointment of the external auditor.

Members of the Audit Committee

In 2019, Tim Clarke stepped down as Audit Committee Chair and was succeeded by me in September 2019. The Committee consists of three Non-Executive Directors: Tim Trotter, Tim Clarke and me as Chairman. Two of the Committee members are considered to be independent. Ken Davy is also a member but is not considered independent because of his shareholding in the Group. The Executive Directors may attend Committee meetings by invitation.

The Committee met three times during the year. The Board considers that the members collectively have the balance and skills required to discharge their duties effectively.

Duties

The main duties of the Audit Committee are set out in its terms of reference. The main items of business considered by the Audit Committee during the year included:

- review and approval of the FY18 financial statements, including the receipt of the audit findings;
- review and approval of the Committee's terms of reference;
- assessment of the Committee's composition and members;
- review and approval of the 2019 Interim Statement, and recommendation of the interim dividend;
- review of suitability of the external auditor;
- consideration of the external audit report and management representation letter;
- review of going concern;
- review of the risk register, risk management and internal control systems;
- meeting with the external auditor without management present; and
- review of ethical conduct of business policies.

Role of the external auditor

The Audit Committee monitors the relationship with the external auditor, KPMG LLP, to ensure that auditor independence and objectivity are maintained. As part of its review the Committee monitors the provision of non-audit services by the external auditor. During the year we saw a change in our lead audit partner as Paul Nichols took over the role previously held by Ian Beaumont. The breakdown of fees between audit and non-audit services is provided in note 8 of the Group's financial statements. The non-audit fees primarily relate to works completed by KPMG in relation to corporation tax computations made in prior years. Clearance is given for all non-audit works by the Audit Committee Chair in line with our procedures. The Audit Committee also assesses the auditor's performance. Having reviewed the auditor's independence and performance, the Audit Committee recommends that KPMG LLP be re-appointed as the Group's auditor at the next AGM.

Audit process

The auditor prepares an audit plan for the audit of the full year annual report and accounts. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following the audit, the auditor presented its findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditor during the year; however, areas of significant risk and other matters of audit relevance are regularly communicated.

Internal audit

At present the Group does not have an internal audit function and the Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one.

Risk management and internal controls

As described on page 22 of the Corporate governance report, the Group has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the year, the Committee reviewed the framework and the Committee is satisfied that the internal control systems in place are currently operating effectively.

Brexit

The Audit Committee, and the wider Board, continues to monitor the uncertainties surrounding the UK's withdrawal from the EU, and the potential impacts on the business and its stakeholders. The Group has fewer than 10 employees who may be impacted due to their citizenship status and we are working with them to ensure that they are supported. Within the Risk management report we have highlighted the risk that Brexit and an associated financial shock could have on the UK economy. The Board believes that our diversified and solely UK revenue streams, together with regular monitoring of the financial markets, provide some degree of mitigation.

Anti-bribery

The Group has in place an anti-bribery and anti-corruption policy that sets out its zero-tolerance position and provides information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues. The Committee is comfortable that the current policy is operating effectively.

Gary Hughes
Chairman of the Audit Committee

Nomination Committee report

Tim Trotter

I am pleased to present the Nomination Committee report for FY19.

The Nomination Committee has delegated authority from the Board set out in its written terms of reference, available on the Company's website, which are reviewed annually and were last updated by the Board in March 2020.

The Nomination Committee's primary objectives are to:

- ensure that a regular, thorough and unbiased evaluation is undertaken of the structure, size, composition, balance of skills, knowledge and experience of the Board;
- recommend any proposed changes to the composition of the Board and to initiate and oversee the recruitment process;
- ensure the Company's adherence to applicable legal and regulatory requirements in relation to the above; and
- review the Company's compliance with applicable corporate governance regulations.

The Committee Chairman reports material findings and recommendations at the next Board meeting and copies of the minutes of its meetings are circulated, where appropriate, to all Directors.

Membership of the Nomination Committee

The Chairman of the Board and the Non-Executive Directors are members of the Committee. No individual participates in discussion or decision making when the matter under consideration relates to themselves. The Committee is supported by the services of the Company Secretary who acts as secretary to the Committee and it has full access to the Executive Directors. It is empowered to appoint search consultants, legal, tax and other professional advisers as it sees fit to assist with its work.

Key activities of the Nomination Committee during the year

The Committee met twice during the year and attendance at those meetings is shown on page 21 of the Corporate governance report.

Matters considered by the Committee in FY19 included the following material items:

- assessed the composition of the Board, including in relation to Committee chairship and membership;
- reviewed the time commitment from the Non-Executives and determined this was satisfactory;
- agreed the Board effectiveness review strategies;
- considered and approved the Committee report to the 2019 accounts; and
- considered and approved the Committee's terms of reference.

Policy on appointments to the Board

Diversity has frequently been debated by the Committee and the Board. The Board believes that diversity is not limited to gender and that a diverse Board will include and make good use of differences in the skills, geographic location, industry experience, background, race, gender and other characteristics of the Directors. The Board's view has been and continues to be that all appointments to the Board should be merit based, assessed against objective selection criteria. To avoid impeding any deserving candidate from consideration, executive search consultants are asked to provide candidates from a diverse range of backgrounds and that these lists are gender neutral. The Board upholds its practice of embracing diversity in the widest sense and has therefore elected not to set any quantitative gender-based targets.

The process of identifying candidates for Board appointment commences with a review of the current Board composition taking into account various factors such as qualifications, skills, experience, independence and diversity of the existing Directors in order to identify any weaknesses.

A person specification is then prepared which includes, in the case of Non-Executive Director appointments, an estimate of the time commitment required. Generally, the Committee will engage executive search consultants, or consider open advertising, to assist in ensuring a comprehensive list of potential candidates from a range of backgrounds for the Committee's consideration.

Appointments to the Board during FY19

No appointments to the Board have been made during the reporting period.

Resignations from the Board during FY19

No resignations from the Board have occurred during the reporting period.

Talent assessment and succession planning

The Committee continues to develop succession plans in respect of the Board to ensure that there is an ongoing review of the skills and experience on the Board. The Committee also provides guidance and monitors succession plans, talent assessment and development plans at senior and mid-management level.

A comprehensive programme to develop individual development plans for key individuals is being further advanced. Recognising, developing and retaining talent within the Group is essential for the continued sustainability of the business and therefore this continues to be a key priority for the Committee and the wider Board during 2020.

Committee evaluation

The Committee's performance is internally evaluated by the members of the Committee by way of a self-evaluation questionnaire and results are considered by the Committee and the Board. No significant issues that require improvement have been identified and the Committee and the Board remain satisfied that it operated effectively during the year.

Evaluation of the composition, structure and functioning of the Board

The evaluation of the Board is also carried out internally by way of a self-evaluation questionnaire. The questionnaire includes a focus on Board composition and expertise, the Board's role in setting strategy, its understanding of risks facing the Group, succession planning and the effectiveness of the Board Committees. The Board regards the evaluation process as an important way to monitor the progress made over the years. No significant issues that require improvement are highlighted. However, given the increasing scale and size of the Group this remains a key area of focus and an extensive review of the Board composition is underway during 2020.

Independence and re-election to the Board

As outlined above, the composition of the Board is reviewed annually by the Committee to ensure that there is an effective balance of skills, experience and knowledge and that the Board comprises an appropriate proportion of independent Directors on the Board.

I, Tim Trotter, have elected to stand down at the Company's AGM on 27 April 2020 and will therefore not be seeking re-election. In accordance with best practice, all remaining Directors are offering themselves for re-election by shareholders at the AGM. Biographical information on each of the Directors can be found on pages 18 and 19.

Tim Trotter
Chairman of the Nomination Committee

Directors' remuneration report

Tim Clarke

I am pleased to present this Remuneration report, which sets out the remuneration policy and the remuneration paid to the Directors for the period.

As an AIM-listed company, The SimplyBiz Group plc is not required under section 420(1) of the Companies Act 2006 to prepare a Directors' remuneration report for each financial year of the Company. The SimplyBiz Group plc makes the following disclosures voluntarily. The content of this report is unaudited unless stated.

Members of the Remuneration Committee

The Remuneration Committee comprises Tim Clarke (Chairman of the Remuneration Committee), Gary Hughes and Tim Trotter. Under the terms of reference for the Remuneration Committee, Ken Davy (Group Chairman) attends meetings but is not permitted to chair them.

The Remuneration Committee is responsible for determining the remuneration and other terms of employment for the Executive Directors of The SimplyBiz Group plc.

Remuneration policy

The remuneration of Executive Directors is determined by the Committee and the remuneration of the Chairman and the Non-Executive Directors is approved by the full Board of Directors. The key objectives of the Committee in determining the remuneration packages of Executive Directors are:

- the recruitment, retention and incentivisation of executive management of the right calibre; and
- the alignment of executive management pay and shareholder interests.

The remuneration packages of Executive Directors comprise the following elements: basic salary, benefits, bonus, pension contributions and share incentives. Basic salaries for Executive Directors are reviewed annually having regard to individual performance and market practice. In most cases benefits provided to Executive Directors comprise health insurance and car allowances. Details of emoluments for the Directors of The SimplyBiz Group plc are set out on page 27.

Directors' service contracts

Under the terms of the service agreements in place with the Executive Directors, 12 months' written notice must be given by either party to terminate that appointment. Under the terms of the service agreements in place with the Non-Executive Directors, six months' written notice must be given by either party to terminate that appointment.

Directors' emoluments (audited)

Emoluments of the Directors for the year ended 31 December 2019 are shown in the table opposite. Related party transactions involving Directors are disclosed in note 35.

Executive bonuses

Executive Directors are eligible for a maximum cash bonus of 30% of base salary which becomes payable if certain corporate performance targets are met. The Remuneration Committee also retains its right to provide special discretionary bonuses where deemed appropriate.

Bonuses quoted in the table on page 27 refer to performance awards based on the financial year ended 31 December 2019 which were paid in January 2020. For the financial year ended 31 December 2019 50% of the maximum bonus award was triggered by the meeting of certain performance criteria. The Remuneration Committee believes that this is a reasonable situation given the financial performance of the Group.

Directors' interests

Details of the Directors' shareholdings are included in the Directors' report on page 28.

Share options and incentive schemes (audited)

During the year a number of share option and incentive schemes were created or expanded, each designed to promote the long-term improvement in the performance of the Group and a sustained increase in shareholder value. Details of options for Directors who served during the year are as follows:

			Grant date	Term	Option price
Matt Timmins	SAYE	10,588 shares under option	17 October 2018	3 years	£1.70
Gareth Hague	SAYE	5,294 shares under option	17 October 2018	3 years	£1.70
	SAYE	3,417 shares under option	23 October 2019	3 years	£1.58
	CSOP	17,647 shares under option	4 April 2018	3 years	£1.70
	NTA	90,791 shares under option	27 September 2019	19 months	£0.01

Disclosed below are Directors who served during the year who also hold Ordinary Shares in the capital of Simply Biz Limited by way of subscription as part of the Group's Management Incentive Plan ("MIP").

Name	Number and class of share in SimplyBiz Limited subscribed to
Matt Timmins	750 A1 shares
Neil Stevens	750 A1 shares

Sarah Turvey, our former Chief Operating Officer, left Simply Biz in April 2019 as a good leaver under the provisions of the MIP scheme. Subject to the MIP scheme rules and to the articles, the number of days that will be deemed to have elapsed from the date of acquisition of the A Shares by the Employee to the Date of Cessation as described in article 22.1.2.1. (A) will be treated as 547 days for the purposes of calculating the number of Vested A Shares of the Employee.

MIP

On 4 April 2018, the Group established MIP which invited eligible employees to subscribe for A shares in the Company's subsidiary SimplyBiz Limited. Participants have a put option to sell the A shares to the Company in exchange for Ordinary Shares of the Company at any point between three years and ten years after the date of grant, provided that they are still employed (or treated as a good leaver) and an equity hurdle is met. If the equity hurdle is achieved, the A shares are convertible into shares of the Company, based on 15% of the value created above 105% of the market capitalisation at IPO, subject to a 7.35% dilution cap on the issued share capital at the point of vesting.

During 2019, and as at 31 December 2019, the MIP exceeded the required equity hurdle. Further details can be found in note 29 to the financial statements.

Pension contributions (audited)

During the year, the Group made annual pension contributions for Executive Directors to personal pension schemes as outlined in the table below.

Non-Executive Directors

The fees of the Non-Executive Directors are determined by the full Board. The Non-Executive Directors are not eligible for bonuses, pension benefits or share options.

Directors' emoluments table (audited)

Role	Name	Salary £000	Fees £000	Benefits £000	Bonuses £000	**Employer's pension 2019 £000**	**Total emoluments 2019 £000**	Total emoluments 2018 £000
Non-Executive Chairman	Ken Davy	130	—	—	—	**—**	**130**	100
Executive	Neil Stevens	250	—	7	38	**2**	**297**	308
	Matt Timmins	250	—	7	38	**2**	**297**	308
	Gareth Hague	160	—	—	24	**5**	**189**	141
Non-Executive	Tim Trotter	65	—	—	—	**—**	**65**	43
	Tim Clarke	65	—	—	—	**—**	**65**	43
	Gary Hughes	58	—	—	—	**—**	**58**	—

Tim Clarke
Independent Non-Executive Director

Directors' report

The Directors present their Directors' report for The SimplyBiz Group plc for the year ended 31 December 2019.

The SimplyBiz Group plc (the "Company") is incorporated in England and Wales. The financial statements consolidate the results and financial position of the Company and its subsidiary undertakings (the "Group").

Principal activity

The principal activity of the Group during the year was the provision of intermediary services and distribution channels to the retail financial services sector.

Review of business and future developments

The Chairman's statement (pages 4 and 5), the Joint Chief Executive Officers' statement (pages 6 to 9) and the Financial review (pages 14 and 15) report on the performance of the Group during the year ended 31 December 2019 and its future developments.

Directors

The Directors who held office during the year and up to the date of signing this report were as follows:

KE Davy
ML Timmins
NM Stevens
GR Hague
THS Trotter
TP Clarke
G Hughes

Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company at 31 December 2019 and 9 March 2020 were as follows:

	Number of Ordinary Shares held	Percentage of issued Ordinary Share capital
KE Davy*	30,533,895	31.55%
ML Timmins	1,686,975	1.74%
NM Stevens	1,636,975	1.69%
GR Hague	—	—
THS Trotter	26,470	0.03%
TP Clarke	8,823	0.01%
G Hughes	—	—

* Includes all shares held in Trusts managed by Ken Davy & Estates where Ken Davy is the sole executor and beneficiary.

Significant shareholders

The Company is informed that, at 9 March 2020, individual registered shareholdings of more than 3% of the Company's issued share capital were as follows:

	Number of Ordinary Shares held	Percentage of issued Ordinary Share capital
KE Davy	30,533,895	31.55%
Liontrust Asset Management	10,299,829	10.64%
1798 Volantis	7,099,844	7.34%
FIL Investments International	6,821,599	7.05%
Schroder Investment Management	4,221,964	4.36%
Franklin Templeton Investments	3,947,072	4.08%

Employees

It is the policy of the Group that all employees shall be given equal opportunities in all areas of employment.

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The Group places considerable value on the involvement of its employees and has continued to keep them involved in matters affecting them as employees and on various factors affecting the performance of the Group. This is achieved through processes of communication and participation. This involves the provision of information through normal management channels including regular face-to-face briefings from the members of the Board. Employees are consulted on a wide range of matters affecting their current and future interests.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Policy and practice on payment of creditors

It is the policy of the Group to agree terms and conditions for our business transactions with suppliers. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in line with the agreed terms and conditions. Where specific credit terms are not agreed with a supplier, the Group's policy is to pay to the supplier's normal terms.

Annual general meeting

The annual general meeting of the Group is to be held on 27 April 2020. The notice of the meeting has been provided to shareholders at the back of this report.

Health and safety

The health and welfare of our employees is paramount. We carry out regular health and safety training and assessments for our staff, who are predominantly desk based in nature. The Directors receive a monthly health and safety report which includes all areas of risk and RIDDOR within the Group.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report.

Auditor

KPMG LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint KPMG LLP will be proposed at the forthcoming annual general meeting.

By order of the Board

GR Hague
Director
9 March 2020

Statement of Directors’ responsibilities in respect of the Strategic report, the Directors’ report and the financial statements

The Directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 “Reduced Disclosure Framework”.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company’s transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report and a Directors’ report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report
to the members of The SimplyBiz Group plc

1. Our opinion is unmodified

We have audited the financial statements of The SimplyBiz Group plc ("the Company") for the year ended 31 December 2019 which comprise the consolidated statement of profit and loss and other comprehensive income, consolidated and Company statements of financial position, consolidated and Company statements of changes in equity, consolidated statement of cash flows, and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality: Group financial statements as a whole	£565k (2018: £400k) 4.4% (2018: 5%) of normalised profit before tax	
Coverage	97% (2018: 92%) of group profit before tax	
Key audit matters		**vs 2018**
Recurring risks	Impact of uncertainties due to Brexit	◀▶
	Revenue recognition	◀▶
	Recoverability of goodwill and of the parent's investment in subsidiaries	▲
Event driven	**New:** Identification and valuation of intangibles assets relating to the acquisition of Defaqto	

Independent auditor's report continued

to the members of The SimplyBiz Group plc

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 17 (principle risks) and page 23 (Audit Committee Report).	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular for the Group the recoverability of goodwill and valuation of intangible assets relating to the acquisition of Defaqto as described below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge**: We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing the recoverability of goodwill and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecasts cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on the recoverability of goodwill and the valuation of intangibles assets relating to the acquisition of Defaqto we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.
Revenue recognition Refer to note 2.8 on page 45 (accounting policy) and note 6 on page 53 (financial disclosures).	**Revenue recognition risk around the period end:** There are a number of different revenue streams each of which having different performance obligations. The resulting diversity creates a risk of processing error, in particular revenue not being recognised in the correct period. In addition, revenue is the most material number in the income statement and is considered to be the main driver of results and as such had a significant impact on the allocation of our resource in planning and completing the audit.	Our procedures included: • **Control operation:** We assessed the controls in place across the business to ascertain whether these are designed and implemented effectively. • **Test of detail:** We assessed whether sales transactions one month before the balance sheet date were recognised in the correct period by vouching to dates services were performed and to subsequent cash receipts. • **Test of detail:** We corroborated revenue journal postings to supporting evidence where the other side of the journal was posted to an unexpected account. • **Test of detail:** Inspecting a sample of credit notes raised post year-end to determine whether they related to revenue recognition in the year.

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Recoverability of goodwill and of the parent's investment in subsidiaries (Group goodwill £76.0 million; 2018: £19.6 million) (Parent Company investment £120.6 million; 2018: £68.7 million) Refer to notes 2.13 and 2.14 on pages 46 and 47 (accounting policy) and notes 19 and 20 on pages 62 and 63 (financial disclosures).	**Forecast-based valuation** Goodwill in the Group and the carrying amount of the parent Company's investments in subsidiaries is significant and for the goodwill it has increased by £56.4 million due to the acquisition of Defaqto in the current year. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value in use of goodwill and the recoverable amount of investment in subsidiaries had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: • **Benchmarking assumptions:** Compared the Group's assumptions to externally derived data in relation to key inputs such as projected economic growth and discount rates. • **Sensitivity Analysis:** Performed breakeven analysis on the assumptions noted above. • **Comparing valuations:** Compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. • **Assessing transparency:** We assessed whether the Group's and parent Company's disclosures in relation to impairment assessment reflected the risks inherent in the recoverable amount of Group goodwill and the parent Company's cost of investment in subsidiaries.
Identification and valuation of intangible assets relating to the Defaqto Acquisition (Intellectual property £23.6 million; Brands £2.9 million) Refer to note 2.11 on page 46 (accounting policy) and note 21 on pages 66 and 67 (financial disclosures).	**Subjective identification and valuation** The Group acquired Regulus Topco Limited, owner of Defaqto Limited, which was a material acquisition to the Group. The group's judgements on identification of assets as intangible assets or goodwill is decisive for the accounting treatment of the assets' carrying values. The effect of these judgements could have a material impact on the statement of profit and loss. Estimation uncertainty exists within the valuations in respect of assumptions around the relevant discount rates and future cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the separately identifiable intangible assets, of £26.5m, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: • **Test of details:** We assessed the completeness and quantum of intangible assets identified by the Group against our own expectations, formed from inspection of the due diligence report as well as disclosures surrounding the rationale for the transaction. • **Methodology choices:** Assessing, using our own valuation specialist, the results of the intangible asset identification and valuation reports by checking that the valuations were in accordance with relevant accounting standards and acceptable valuation practice. This included an assessment of the competence of the valuation expert used by the directors. • **Our industry expertise:** Challenging the key assumptions used in determining the valuation of intangible assets acquired, in particular future cash flows, customer attrition rates, expected useful lives and discount rates (intellectual property) and royalty percentages (brand), by comparing them to externally derived data and our knowledge of the business and the industry. Our own valuation specialists assisted us in the assessment of an acceptable range of discount rates and challenging each key assumption. We assessed the adequacy of adjustments made to the valuation as a result of our challenge. • **Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the valuation of acquisition related intangible assets.

Independent auditor's report continued

to the members of The SimplyBiz Group plc

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £565k (2018: £400k), determined with reference to a benchmark of group profit before tax, normalised to exclude this year's exceptional items as disclosed in note 8, of £12.9m (of which it represents 4.4% (2018: 5%).

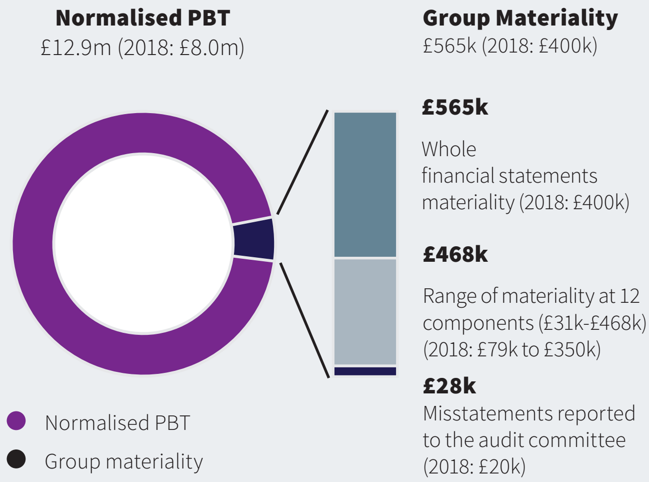
Materiality for the parent company financial statements as a whole was set at £468k (2018: £350k), determined with reference to a benchmark of Company total assets of £158.7m, of which it represents 0.3% (2018: £92.2m and 0.4%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £28k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 28 (2018: 23) reporting components, we subjected 12 (2018: 10) to full scope audits for group purposes. For the residual 16 components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work performed on all of the components, including the audit of the parent Company, was performed by the group team.

The group team performed procedures on the items excluded from normalised group profit before tax of £2m.



4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- The reliance on external debt financing; and
- The impact of Brexit on the UK housing market which would directly impact SimplyBiz customers.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent auditor's report continued

to the members of The SimplyBiz Group plc

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 30, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Nichols (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
9 March 2020

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Revenue	6–7	**62,774**	50,686
Operating expenses	8–11	**(49,193)**	(43,805)
Amortisation of other intangible assets	19	**(1,579)**	(124)
Group operating profit		**12,002**	6,757
Finance income	12	**123**	79
Finance costs	13	**(1,281)**	(2,602)
Profit before taxation		**10,844**	4,234
Taxation	15	**(2,218)**	(1,385)
Profit for the financial year		**8,626**	2,849
Profit attributable to shareholders:			
Owners of the Company		**8,547**	2,849
Non-controlling interests		**79**	—
		8,626	2,849
Earnings per share – basic	14	**9.25p**	3.96p
Earnings per share – diluted	14	**8.96p**	3.94p

There are no items to be included in other comprehensive income in the current year or preceding year.

The accompanying notes form part of the financial statements.

Consolidated statement of financial position

as at 31 December 2019

	Note	31 December 2019 £000	31 December 2019 £000	31 December 2018 £000	31 December 2018 £000
Non-current assets					
Property, plant and equipment	18	**454**		375	
Lease asset	18	**2,653**		—	
Intangible assets and goodwill	19	**106,210**		23,137	
Deferred tax asset, non-current	27	**1,262**		61	
Total non-current assets			**110,579**		23,573
Current assets					
Trade and other receivables	22	**11,774**		8,712	
Deferred tax asset	27	**194**		55	
Cash and cash equivalents	23	**10,666**		13,291	
Cash and cash equivalents – restricted	23	**—**		545	
Total current assets			**22,634**		22,603
Total assets			**133,213**		46,176
Equity and liabilities					
Equity					
Share capital	28	**968**		765	
Share premium account	28	**64,755**		36,791	
Other reserves	30	**(51,993)**		(61,067)	
Retained earnings		**55,695**		50,081	
Equity attributable to the owners of the Company			**69,425**		26,570
Non-controlling interest			**79**		—
Total equity			**69,504**		26,570
Liabilities					
Current liabilities					
Loans and borrowings	25	**—**		7,433	
Trade and other payables	24	**17,195**		10,254	
Lease liabilities, current	26	**540**		—	
Current tax liabilities		**651**		496	
Total current liabilities			**18,386**		18,183
Non-current liabilities					
Loans and borrowings	25	**37,685**		—	
Trade and other payables	24	**—**		725	
Lease liabilities, non-current	26	**2,176**		—	
Deferred tax liabilities	27	**5,462**		698	
Total non-current liabilities			**45,323**		1,423
Total liabilities			**63,709**		19,606
Total equity and liabilities			**133,213**		46,176

These financial statements were approved by the Board of Directors on 9 March 2020 and were signed on its behalf by:

GR Hague
Director

The accompanying notes form part of the financial statements.

Company statement of financial position

as at 31 December 2019

	Note	31 December 2019 £000	31 December 2019 £000	31 December 2018 (Restated) £000	31 December 2018 (Restated) £000
Non-current assets					
Investments	20	**120,572**		68,675	
Trade and other receivables	22	**25,585**		16,871	
Total non-current assets			**146,157**		85,546
Current assets					
Trade and other receivables	22	**12,508**		6,574	
Cash and cash equivalents	23	**58**		43	
Total current assets			**12,566**		6,617
Total assets			**158,723**		92,163
Equity and liabilities					
Equity attributable to the owners of the Company					
Share capital	28	**968**		765	
Share premium account	28	**64,755**		36,791	
Retained earnings		**46,970**		46,762	
Other reserves		**8,281**		320	
Total equity			**120,974**		84,638
Liabilities					
Current liabilities					
Loans and borrowings	25	**—**		7,433	
Trade and other payables	24	**44**		69	
Total current liabilities			**44**		7,502
Non-current liabilities					
Loans and borrowings	25	**37,685**		—	
Deferred tax liabilities	27	**20**		23	
Total non-current liabilities			**37,705**		23
Total liabilities			**37,749**		7,525
Total equity and liabilities			**158,723**		92,163

Details of the restatement of the prior year balance sheet are included in note 22.

These financial statements were approved by the Board of Directors on 9 March 2020 and were signed on its behalf by:

GR Hague
Director

Company registered number: 09619906

The accompanying notes form part of the financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Share capital £000	Share premium £000	Other reserves £000	Non-controlling interest £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	**10**	**52,544**	**(61,387)**	**—**	**2,982**	**(5,851)**
Total comprehensive income for the year						
Profit for the year	—	—	—	—	2,849	2,849
Total comprehensive income for the year	—	—	—	—	2,849	2,849
Transactions with owners, recorded directly in equity						
Issue of shares	176	29,826	—	—	—	30,002
Bonus issue of shares	579	(579)	—	—	—	—
Transfer to retained earnings	—	(45,000)	—	—	45,000	—
Dividends	—	—	—	—	(750)	(750)
Share option charge	—	—	320	—	—	320
Total contributions by and distributions to owners	755	(15,753)	320	—	44,250	29,572
Balance at 31 December 2018	**765**	**36,791**	**(61,067)**	**—**	**50,081**	**26,570**
Balance at 1 January 2019	**765**	**36,791**	**(61,067)**	**—**	**50,081**	**26,570**
Total comprehensive income for the year						
Profit for the year	—	—	—	79	8,547	8,626
Total comprehensive income for the year	—	—	—	79	8,547	8,626
Transactions with owners, recorded directly in equity						
Issue of shares	203	28,909	7,449	—	—	36,561
Cost of share issue	—	(945)	—	—	—	(945)
Dividends	—	—	—	—	(2,933)	(2,933)
Deferred tax on share options exceeding profit and loss charge	—	—	1,113	—	—	1,113
Share option charge	—	—	512	—	—	512
Total contributions by and distributions to owners	203	27,964	9,074	—	(2,933)	34,308
Balance at 31 December 2019	**968**	**64,755**	**(51,993)**	**79**	**55,695**	**69,504**

The accompanying notes form part of the financial statements.

Company statement of changes in equity

for the year ended 31 December 2019

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	**10**	**52,544**	**—**	**8,740**	**61,294**
Total comprehensive income for the year					
Loss for the year	—	—	—	(6,228)	(6,228)
Total comprehensive income for the year	—	—	—	(6,228)	(6,228)
Transactions with owners, recorded directly in equity					
Issue of shares	176	29,826	—	—	30,002
Bonus issue of share	579	(579)	—	—	—
Transfer to retained earnings	—	(45,000)	—	45,000	—
Dividends	—	—	—	(750)	(750)
Share options charge	—	—	320	—	320
Total contributions by and distributions to owners	755	(15,753)	320	44,250	29,572
Balance at 31 December 2018	**765**	**36,791**	**320**	**46,762**	**84,638**
Balance at 1 January 2019	**765**	**36,791**	**320**	**46,762**	**84,638**
Total comprehensive income for the year					
Profit for the year	—	—	—	3,141	3,141
Total comprehensive income for the year	—	—	—	3,141	3,141
Transactions with owners, recorded directly in equity					
Issue of shares	203	28,909	7,449	—	36,561
Cost of share issue	—	(945)	—	—	(945)
Dividends	—	—	—	(2,933)	(2,933)
Share options charge	—	—	512	—	512
Total contributions by and distributions to owners	203	27,964	7,961	(2,933)	33,195
Balance at 31 December 2019	**968**	**64,755**	**8,281**	**46,970**	**120,974**

The accompanying notes form part of the financial statements.

Consolidated statement of cash flows

for year ended 31 December 2019

	Note	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Net cash generated from operating activities	31	**10,388**	6,033
Cash flows from investing activities			
Finance income		**123**	79
Purchase of property, plant and equipment		**(208)**	(109)
Proceeds from sales of property, plant and equipment		**58**	—
Development expenditure		**(2,354)**	(657)
Acquisitions, net of cash acquired		**(38,864)**	(2,534)
Net cash used in investing activities		**(41,245)**	(3,221)
Cash flows from financing activities			
Finance costs		**(1,104)**	(1,078)
Settlement of share warrant		**—**	(1,193)
Loan repayments made		**(31,676)**	(37,593)
Drawdown of loans		**37,500**	10,093
Transaction costs related to borrowing		**(420)**	—
Payment of deferred and other consideration		**(1,130)**	—
Payment of lease liability		**(677)**	—
Issue of share capital		**29,072**	30,002
Cost of issuing share capital		**(945)**	—
Dividends paid		**(2,933)**	(750)
Net cash generated from/(used in) financing activities		**27,687**	(519)
Net (decrease)/increase in cash and cash equivalents		**(3,170)**	2,293
Cash and cash equivalents at start of year		**13,836**	11,543
Cash and cash equivalents at end of year		**10,666**	13,836

Operating costs of an exceptional nature, as per note 8, are included in net cash generated from operating activities. Payment of deferred and other consideration includes £725,000 of deferred consideration payable for the acquisition of Landmark Surveyors Limited and £405,000 in respect of the remaining share purchase for Zest Technology Limited. The deferred and other consideration is considered financing in nature given the time elapsed since the acquisitions.

The accompanying notes form part of the financial statements.

Notes
(forming part of the financial statements)

1 General information
The SimplyBiz Group plc's (formerly The SimplyBiz Group Limited) principal activity is that of the provision of compliance, distribution and technology services to financial intermediaries and financial institutions. Through the acquisition of Defaqto, the Group has added a financial services technology business operating a FinTech platform and providing independent ratings of financial products and funds.

The SimplyBiz Group plc (the "Company") is a company incorporated and domiciled in the United Kingdom. The address of its registered office is The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG. The registered number is 09619906.

2 Accounting policies
2.1 Basis of preparation
This financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as adopted by the EU ("Adopted IFRS") and the IFRS Interpretations Committee interpretations and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The parent company accounts have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

- certain comparative information as otherwise required by EU-endorsed IFRS;
- disclosure of related party transactions with other wholly owned members of the Group headed by The SimplyBiz Group plc; and
- to prepare a cash flow statement for the Company.

The financial information has been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through profit or loss.

The financial information is presented in the Company's presentational and functional currency of Pounds Sterling ("£"), quoted to the nearest £1,000 except when otherwise indicated.

The Company applied all standards and interpretations issued by the IASB that were effective as of 31 December 2019. The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in this financial information.

2.2 Basis of consolidation
The consolidated financial information includes the financial information of The SimplyBiz Group plc and its subsidiary undertakings (the "Group"). Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and its ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control commences until the date on which control ceases.

Under the Companies Act 2006, the Company is exempt from the requirement to present its own statement of profit or loss.

In the parent company financial statements, investments in subsidiaries are carried at cost less impairment.

2.3 Adoption of new and revised standards
The following adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- **IFRS 17 'Insurance Contracts'** (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to References to the Conceptual Framework in IFRSs** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 3** regarding the definition of a Business (effective for annual periods beginning on or after 1 January 2020); and
- **Amendments to IAS 1 and IAS 8** regarding the definition of material (effective for annual periods beginning on or after 1 January 2020).

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Notes continued

(forming part of the financial statements)

2 Accounting policies continued

2.4 Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will, or may, be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in the financial statements for called-up share capital and share premium account exclude amounts in relation to those shares.

2.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other receivables.

Trade and other receivables

Trade and other receivables are recognised at fair value, minus expected future losses. A provision for impairment of trade receivables is recognised based on lifetime expected losses, but principally comprise balances where objective evidence exists that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the charge being made to operating expenses.

Trade and other payables

Trade and other payables are recognised at fair value.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Investments

Investments in subsidiaries are carried at cost less impairment.

Amounts owed by/to Group Undertakings (Company only)

Amounts owed by Group undertakings are classed as non-current or current assets depending upon their expected recovery. Amounts due to Group undertakings are classified as current liabilities unless specific payment terms are in place.

2.6 Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

2.7 Going concern

The Group business activities, together with the factors likely to affect its future development, its financial position and its financial risk management objectives, as well as details of its financial instruments and its exposure to interest, credit and liquidity risk are described in note 3.

The Group meets its day-to-day working capital requirements through operating cash flows, overdrafts and bank loan facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is expected to have a sufficient level of financial resources available through facilities agreed and expected to be agreed when these fall due for renewal.

The Group has net current assets of £4,248,000 and net assets of £69,504,000 as at 31 December 2019 (31 December 2018: net current assets of £4,420,000 and net assets of £26,570,000).

On the basis of the Group's current and forecast profitability and cash flows, the Directors consider and have concluded that the Group will have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt a going concern basis in the preparation of the financial statements.

2 Accounting policies continued

2.8 Revenue recognition

Revenue is recognised by reference to the five-step model set out in IFRS 15. Revenue is recognised when an entity transfers goods or services to a customer, measured at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the good or service is transferred to the customer.

The following specific recognition criteria must also be met before revenue is recognised:

Membership fees

The Group's membership is a subscription model, with income recognised monthly, on an over time basis, in line with the access to services (output method). Where the membership fee includes specific performance obligations, such as regulatory visits, a proportion of the revenue, based on the standard price of such services when sold separately, is recognised when the specific service is delivered.

Additional services

Revenue from other membership services is recognised at the point at which the service is delivered, based on the value agreed with the customer. No significant performance obligations exist beyond the delivery of the core service, and therefore income is not recognised over time.

Software licence income and employee benefit software licence and project fees

Revenue from software licence income and fees is recognised over time, in line with the right to access to the software (output method). No significant judgements are made to determine the right of access.

Revenue from software project fees and consulting is recognised on the achievement of specific milestones and performance obligations, reflected in the agreement with the customer. The value of revenue recognised is based on the overall value of the contracts and its performance obligations. The Group has no long-term projects.

Marketing Service Agreements and Marketing Licencing

Marketing Service Agreements are provided to third-party financial institutions, and predominately subject to annual contracts. Contracts can include a number of individual performance obligations that are recognised separately as the service is delivered. The value of each performance obligation is based on internal list prices, relative to the total value of the contract. Where contracts relate to the provision of marketing collateral, revenue is recognised over the period of the contract, in line with the support provided to the customer and maintenance of the licensed brand (output method).

Asset Management fees

Asset management fees are accrued on an over time basis, by reference to the value of assets under management (output method).

Mortgage services and insurance panelling

Commission is recognised, in full, following the confirmation of the sale by the third-party provider, who is considered to be the principal, of underlying products, predominantly mortgage and insurance-related products. Revenue is recognised at a point in time, on a net basis, i.e. only for the commission due to the Group. No significant judgements are involved in the valuation of the commission. No performance obligations exist beyond the sale of the product by the third party.

Valuation services

Revenue is recognised at the point at which the service is delivered to the customer, based on the agreed price. No performance obligations exist beyond the provision of the service. No significant judgements are involved in the valuation of the revenues.

2.9 Research and development expenditure

Research expenditure is recognised as an expense, in profit or loss, in the year in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, if future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. Amortisation is charged to profit or loss over the estimated useful lives of the assets, which are a range of 3 to 5 years.

2.10 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The Group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Notes continued
(forming part of the financial statements)

2 Accounting policies continued

2.10 Tangible fixed assets continued
Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Office equipment 3–4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Plant and equipment includes IT equipment and motor vehicles. All lease assets are depreciated over their expected lease period.

2.11 Business combinations
All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date, unless another measurement basis is required.

2.12 Non-controlling interests
Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

2.13 Intangible assets
Goodwill
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose. Goodwill is not amortised but is tested annually for impairment.

Other intangible assets
Expenditure on internally generated goodwill and brands is recognised in the statement of profit or loss as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation
Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The basis for choosing these useful lives is with reference to the year over which they can continue to generate value for the Group. The estimated useful lives are as follows:

- Brands 10–15 years
- Intellectual property 8–15 years

The Company reviews the amortisation year and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

2 Accounting policies continued

2.13 Intangible assets continued

Software

The cost of implementation of software utilised by the Group is amortised over the useful economic life of the software.

2.14 Impairment excluding inventories and deferred tax assets

Financial assets (including trade and other receivables)

Financial assets are carried at fair value, less expected future losses.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ("CGUs") that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.15 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

Accounting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate, determined by reference to its current borrowing facilities.

Notes continued
(forming part of the financial statements)

2 Accounting policies continued

2.15 Leases continued

Accounting as a lessee continued
Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities on the face of the statement of financial position.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019
In the comparative period, as a lessee, the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent amounts. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

2.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- the initial recognition of goodwill; and
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are offset only if certain criteria are met.

2 Accounting policies continued

2.17 Pensions

The pension costs charged in the financial information represent the contributions payable by the Company during the year on the defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amounts charged to the statement of profit or loss represent the contributions payable to the scheme in respect of the accounting period and represents the full extent of the Company's liability.

2.18 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends, this is when declared by the Directors. In the case of final dividends, this is when approved by the shareholders at a general meeting.

2.19 Share warrants

Share warrants, which include a requirement to settle the obligation in cash, are reflected as a liability at fair value. Subsequent to initial recognition, changes to the carrying amount are recognised in profit or loss.

2.20 Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size, incidence or nature to enable a full understanding of the Group's underlying financial performance, details of which are disclosed in note 8.

2.21 Put and call option

Put share options and agreements to forward purchase with non-controlling shareholders are recognised as a liability at the present value of the exercise price of the option or of the forward price, using the anticipated-acquisition model.

Under the anticipated-acquisition method, interests of the non-controlling shareholders, that hold the written put options or forward purchase agreements, are derecognised when the financial liability is recognised in liabilities, with the difference reflected in 'Other equity'. Subsequent to initial recognition, changes to the carrying amount are recognised in the profit and loss account.

2.22 Share-based payments

A transaction is accounted for as a share-based payment where the Group receives services from employees, Directors or third parties and pays for these in shares or similar equity instruments.

The Group makes equity-settled share-based payments to certain employees and Directors. Equity-settled share-based schemes are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant, measured by use of an appropriate valuation model. The fair value determined at grant date of the equity-settled share-based payments is expensed on a straight-line basis over the period services are received, based on the Group's estimate of shares that will eventually vest.

Share options are forfeited when an employee ceases to be employed by the Group unless determined to be a 'Good leaver'. A 'Good leaver' is a participant who ceases employment by reason of death, ill-health, disability or at the discretion of the Directors.

The Company grants share options under the share-based schemes directly to employees of its subsidiaries. The Company, over whose share options are issued, recognises an increase in the investment in the related subsidiary and a credit to the share-based payment reserve. The fair value of the employee service is based on the fair value of the equity instrument granted.

The Company issued share options to its Members (intermediary customers) in 2018. As the share issue included no future criteria for the members to meet, such as remaining a member during the vesting period, no associated share option charge is recognised and the scheme is treated as a dilution of shareholders when it vests.

3 Financial instruments and financial risk management

The Company's principal financial liabilities comprise trade and other payables, borrowings and share warrants. The primary purpose of these financial liabilities is to finance the operations. The Company has trade and other receivables and cash that derive directly from its operations.

Financial assets

The financial assets were as follows:

	31 December 2019 £000	31 December 2018 £000
Cash and cash equivalents – unrestricted	**10,666**	13,291
Cash and cash equivalents – restricted	—	545
Trade and other receivables	**11,774**	8,712

The Directors consider that the carrying amount of all financial assets approximates to their fair value.

Notes continued
(forming part of the financial statements)

3 Financial instruments and financial risk management continued

Financial liabilities

The financial liabilities were as follows:

	31 December 2019 £000	31 December 2018 £000
Trade and other payables	**17,195**	10,254
Borrowings	**37,685**	7,433

The Directors consider that the carrying amount for all financial liabilities approximates to their fair value.

Financial risk management

The Company is exposed to interest rate risk, credit risk and liquidity risk. Senior management oversees the management of these risks and ensures that the financial risk taking is governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk appetite.

The Board of Directors reviews and agrees the policies for managing each of these risks, which are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company accepts the risk of losing interest on deposits due to interest rate reductions.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including cash deposits with banks and financial institutions.

Trade receivables

Customer credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit risk is principally managed through the use of direct debit payments. Outstanding receivables are regularly monitored and discussed at executive management and Board level.

The requirement for impairment is analysed at each reporting date. The calculation is based on actual incurred historical data and anticipated future losses. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 22. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low as there is limited reliance on single, or a few, customers; instead, sales are typically small in size.

Financial instruments and cash deposits

Credit risk from cash balances with banks and financial institutions is managed in accordance with the Company's policy. Credit risk with respect to cash is managed by carefully selecting the institutions with which cash is deposited.

Liquidity risk

The Company is strongly cash generative and the funds generated by operating activities are managed to fund short-term working capital requirements. The Board carefully monitors the levels of cash are sufficient for normal operating requirements.

The following table details the Company's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	Over 5 years £000	Total £000
31 December 2018					
Trade and other payables	3,061	725	—	—	3,786
Borrowings	7,433	—	—	—	7,433
31 December 2019					
Trade and other payables	**3,776**	**—**	**—**	**—**	**3,776**
Borrowings	**—**	**—**	**37,685**	**—**	**37,685**

3 Financial instruments and financial risk management continued

Financial risk management continued

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while also maximising the operating potential of the business. The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The Company is not subject to externally imposed capital requirements.

4 Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. The major source of estimation uncertainty relates to the estimation of future cash flows, particularly for the value-in-use calculations for the Defaqto CGU.

More information, including carrying values and sensitivities in respect of the Defaqto CGU, is included in note 19.

Identification and valuation of other intangible assets

Under IFRS accounting the Group is required to make an assessment of the identifiable intangible assets acquired in a business combination. Such an assessment involves the use of judgement, both in the identification of the assets and in the estimation of their value. The major source of judgement relates to the initial identification of the assets, due to the interconnected nature of them, particularly for the Defaqto acquisition.

Further information on the acquisitions made in the current and prior year, and the identification and valuation of other intangible assets, is included in note 21.

5 Changes in significant accounting policies

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying asset and lease liabilities representing it obligation to make lease payments. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the change in accounting policy is described below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining whether an arrangement contains a lease'. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as a lease. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

5 Changes in significant accounting policies continued

As a lessee

The Group leases many assets, including predominately properties and vehicles. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. The Group has assessed the exemption allowable to low-value assets and considered that no categories of asset meet these criteria.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below:

	Plant and equipment £000	Properties £000	Total £000
At 1 January 2019	225	343	568
At 31 December 2019	**406**	**2,247**	**2,653**

The Group presents lease liabilities separately on the face of the Balance Sheet. See note 26 for further details.

Significant accounting policies

The Group's accounting policy for leases is set out in note 2.15.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group classified property leases as operating leases under IAS 17. The leases run for differing periods and some leases include options to renew the lease and/or rent-free periods.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

On transition to IFRS 16, financial commitments of £1,246,000 as at 31 December 2018, previously disclosed, were considered to not meet the IFRS 16 criteria and therefore not recognised as right-of-use assets.

Impacts on financial statements

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised £568,000 of right-of-use assets and £568,000 of lease liabilities, after deduction of £5,000 discounting impact at the incremental borrowing rate of 3.1%. On acquisition of Defaqto the Group recognised £206,000 of right-of-use assets and lease liabilities on the opening balance sheet.

6 Revenue

The total revenue for the Group has been derived from its principal activity: the provision of intermediary services and distribution channels to the retail financial services sector. Through the acquisition of Defaqto, the Group has added a financial services technology business operating a FinTech platform and providing independent ratings of financial products and funds. All the revenue relates to trading undertaken in the UK, except for less than £0.2 million in Defaqto Nordic.

In the following table, revenue is disaggregated by major product/service lines and timing of revenue recognition:

Major product/service lines	**Year ended 31 December 2019 £000**	Year ended 31 December 2018 £000
Rendering of services	**44,997**	35,756
Commission	**11,312**	10,786
Licence income	**6,465**	4,144
Total	**62,774**	50,686

Timing of transfer of goods or services	**Year ended 31 December 2019 £000**	Year ended 31 December 2018 £000
Products and services transferred at a point in time	**30,371**	31,834
Products and services transferred over time	**32,403**	18,852
Total	**62,774**	50,686

7 Segmental information

During the year, the Company was domiciled in the UK and as such substantially all revenue is derived from external customers in the United Kingdom. Since the acquisition of Defaqto, the Group has an operation in Norway, which is wholly immaterial to the Group's revenues.

Subsequent to the acquisition of Defaqto, the Group has updated its segmental reporting assessment and now has three operating segments, which are considered to be reportable segments under IFRS. The three reportable segments are:

- Intermediary Services;
- Distribution Channels; and
- Research & FinTech.

Intermediary Services provides compliance and regulation services to individual financial intermediary Member Firms, including directly authorised IFAs, directly authorised mortgage advisers, workplace consultants and directly authorised consumer credit brokers.

Distribution Channels provides marketing and promotion, product panelling and co-manufacturing services to financial institutions. This division of the Group also undertakes survey panelling and surveying work for mortgage lenders.

The Research & FinTech segment provides a FinTech platform for over 9,000 users, across 3,300 firms and providing independent ratings of 21,000 financial products and funds, licensed by 250 brands.

The reportable segments are derived on a product/customer type basis. Management have applied their judgement on application of IFRS 8, with operating segments reported in a manner consistent with the internal reporting produced to the chief operating decision makers ('CODM'). The chief operating decision makers are deemed to be the Joint CEOs. No aggregation of operating segments has occurred.

Segmental information is provided for Adjusted EBITDA, which is the measure used when reporting to the CODM.

Notes continued

(forming part of the financial statements)

7 Segmental information continued

The tables below present the segmental information.

Year ended 31 December 2019	**Intermediary Services £000**	**Distribution Channels £000**	**Research & FinTech £000**	**Group £000**
Revenue	**24,153**	**26,838**	**11,783**	**62,774**
Adjusted operating expenses, before amortisation and depreciation	**(18,513)**	**(20,349)**	**(6,908)**	**(45,770)**
Adjusted EBITDA	**5,640**	**6,489**	**4,875**	**17,004**
Operating costs of an exceptional nature				**(2,009)**
Amortisation of other intangible assets				**(1,579)**
Amortisation of development costs and software				**(633)**
Depreciation				**(286)**
Depreciation of lease asset				**(707)**
Beneficial impact of IFRS 16 adoption				**724**
Share option charges				**(512)**
Operating profit				**12,002**

Year ended 31 December 2018	Intermediary Services £000	Distribution Channels £000	Research & FinTech £000	Group £000
Revenue	23,329	27,357	—	50,686
Adjusted operating expenses, before amortisation and depreciation	(18,135)	(21,132)	—	(39,267)
Adjusted EBITDA	5,194	6,225	—	11,419
Operating costs of an exceptional nature				(3,829)
Amortisation of other intangible assets				(124)
Amortisation of development costs and software				(133)
Depreciation				(256)
Depreciation of lease asset				—
Share option charges				(320)
Operating profit				6,757

In determining the trading performance of the operating segments central costs are allocated based on the divisional contribution of revenue to the Group.

The statement of financial position is not analysed between the reporting segments for management and the chief operating decision makers consider the Group statement of financial position as a whole.

No customer has generated more than 10% of total revenue during the year covered by the financial information.

8 Operating profit

Operating profit for the year has been arrived at after charging:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Depreciation of tangible assets – owned	**286**	256
Depreciation of lease assets	**707**	—
Payments in respect of operating leases	**—**	4,760
Research expenditure	**472**	161
Operating costs of exceptional nature:		
Fees in relation to IPO process	**—**	3,622
Restructuring costs	**—**	77
Professional fees for acquisitions	**1,621**	130
Loss of office expense	**388**	—
	2,009	3,829

Auditor's remuneration:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Audit of these financial statements	**220**	90
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**92**	45
Taxation compliance services	**—**	40
Tax advice	**—**	150
Other assurance services	**—**	190

Other assurance services and tax advice in the prior year mainly related to the IPO process.

Operating costs of exceptional nature

Professional fees for acquisitions relate to the purchase of Defaqto in 2019, and Landmark Surveyors in 2018. Loss of office expense relates to the redundancy of a senior employee (see note 35) and restructuring costs in 2018 relates to a programme of restructuring in a single legal entity. Fees in relation to the IPO process include professional fees incurred on listing on AIM in April 2018.

Notes continued
(forming part of the financial statements)

9 Reconciliation of GAAP to non-GAAP measures

The Group uses a number of "non-GAAP" figures as comparable key performance measures, as they exclude the impact of one-off items that are not considered part of ongoing trade. Amortisation of other intangible assets has been excluded on the basis that it is a non-cash amount, relating to acquisitions in the current and prior periods. The Group's "non-GAAP" measures are not defined performance measures in IFRS. The Group's definition of the reporting measures may not be comparable with similar titled performance measures in other entities.

Adjusted EBITDA is calculated as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Operating profit	**12,002**	6,757
Add back:		
Depreciation (note 18)	**286**	256
Depreciation of lease asset (note 18)	**707**	—
Other intangible asset amortisation (note 19)	**1,579**	124
Amortisation of development costs and software (note 19)	**633**	133
EBITDA	**15,207**	7,270
Add back:		
IFRS 16 impact	**(724)**	—
Share option charges	**512**	320
Operating costs of exceptional nature (note 8)	**2,009**	3,829
Adjusted EBITDA	**17,004**	11,419

The impact of applying IFRS 16 using the modified retrospective approach was to reduce the charge for operating leases in the profit and loss account by £724,000 for 2019. For the current year only, this benefit has been deducted within the calculation of Adjusted EBITDA, to provide comparability to the prior year. Operating costs of an exceptional nature have been excluded as they are not considered part of the underlying trade.

Adjusted profit before tax is calculated as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Profit before tax	**10,844**	4,234
Add back:		
Operating costs of exceptional nature (note 8)	**2,009**	3,829
Finance costs of exceptional nature	**—**	1,635
Impact of IFRS 16 accounting, net of depreciation	**16**	—
Amortisation of other intangible assets (note 19)	**1,579**	124
Share option charges	**512**	320
Adjusted profit before tax	**14,960**	10,142

The impact of IFRS 16 accounting, net of depreciation is the offset of the beneficial impact of reducing lease charges in the profit and loss account, and the depreciation of lease assets and finance charge on the lease liability.

9 Reconciliation of GAAP to non-GAAP measures continued

Finance costs of an exceptional nature in 2018 represent the one-off costs incurred on settlement of the previous loan facility and associated share warrant, including the accelerated release of capitalised arrangement fees.

Adjusted profit after tax is calculated as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Profit after tax	**8,626**	2,849
Add back:		
Operating costs of exceptional nature (note 8)	**2,009**	3,829
Finance costs of exceptional nature, net of tax	**—**	1,324
Impact of IFRS 16 accounting, net of depreciation and tax	**13**	—
Amortisation of other intangible assets (note 19), net of deferred tax credit	**1,306**	100
Share option charges, net of deferred tax credit	**424**	259
Adjusted profit after tax	**12,378**	8,361

Free cash flow conversion is calculated as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Net cash generated from operating activities	**10,388**	6,033
Adjusted for:		
Operating costs of exceptional nature (note 8)	**2,009**	3,829
Finance income	**123**	79
Finance costs	**(1,104)**	(1,078)
Purchase of property, plant and equipment	**(208)**	(109)
Proceeds from sale of property, plant and equipment	**58**	
Payment of lease liability	**(677)**	—
Development expenditure	**(2,354)**	(657)
Free cash flow	**8,235**	8,097
Adjusted EBITDA (as above)	**17,098**	11,419
Free cash flow conversion	**48%**	71%

Notes continued
(forming part of the financial statements)

10 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Number of employees Year ended 31 December 2019	Number of employees Year ended 31 December 2018
Directors	**7**	7
Operational	**543**	410
	550	417

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Wages and salaries	**21,681**	18,533
Social security costs	**2,637**	2,103
Share-based payment awards	**512**	320
Contributions to defined contribution plans	**1,833**	563
	26,663	21,519

11 Remuneration of key management personnel

Key management personnel represent those personnel who hold a statutory directorship in The SimplyBiz Group for the period whilst they hold the statutory directorship. Further details are included in the Remuneration report on pages 26 and 27. Further information on the Directors' remuneration and benefits are as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Wages and salaries	**1,091**	1,130
Share-based payments	**179**	112
Social security costs	**139**	156
Pension costs	**9**	7
	1,418	1,405

12 Finance income

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Bank interest receivable	**123**	79
	123	79

13 Finance expense

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Interest payable on financial liabilities at amortised cost	**1,249**	967
Finance charge on lease liability	**32**	—
Fair value loss on financial instruments	**—**	345
Accelerated arrangement fees on settlement of previous loan	**—**	775
Accelerated implied interest charge on settlement of previous loan	**—**	515
	1,281	2,602

14 Earnings per share

Basic earnings per share	Year ended 31 December 2019	Year ended 31 December 2018
Profit attributable to equity shareholders of the parent (£000)	**8,547**	2,849
Weighted average number of shares in issue	**92,386,063**	71,974,191
Basic profit per share (pence)	**9.25**	3.96

Diluted earnings per share	Year ended 31 December 2019	Year ended 31 December 2018
Profit attributable to equity shareholders of the parent (£000)	**8,547**	2,849
Weighted average number of shares in issue	**92,386,063**	71,974,191
Diluted weighted average number of shares and options for the year	**2,973,289**	369,892
	95,359,352	72,344,083
Diluted profit per share (pence)	**8.96**	3.94

During 2019 and as at 31 December 2019, the Management Incentive Plan ("MIP"), as described in note 29, exceeded the required equity hurdle. Management have therefore assumed that the equity hurdle will be achieved at the end of the vesting period, increasing the number of diluting share options.

As at 31 December 2019, 3,390,604 options issued to Members (intermediary customers) were less than the share price, making them "in the money". They have therefore been included in the diluted weighted average number of shares above.

An adjusted EPS has been calculated below based on the adjusted profit after tax, which removes one-off items not considered to be part of underlying trading.

Adjusted basic earnings per share	Year ended 31 December 2019	Year ended 31 December 2018
Adjusted profit after tax (note 9) (£000)	**12,378**	8,361
Weighted average number of shares in issue	**92,386,063**	71,974,191
Adjusted earnings per share (pence)	**13.40**	11.62

Notes continued
(forming part of the financial statements)

15 Taxation

	Year ended 31 December 2019 £000	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000	Year ended 31 December 2018 £000
Current tax				
Current tax on income for the year	**2,532**		1,574	
Adjustments in respect of prior years	**(37)**		(189)	
Total current tax		**2,495**		1,385
Deferred tax (note 27)				
Origination and reversal of timing differences	**(277)**		—	
Total deferred tax		**(277)**		—
Total tax		**2,218**		1,385

£1,113,000 of deferred tax has been recognised directly in equity.

Analysis of current tax recognised in profit or loss

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
UK corporation tax	**2,532**	1,574
Adjustment in respect of prior years	**(37)**	(189)
Total current tax recognised in statement of profit or loss	**2,495**	1,385

Reconciliation of effective tax rate

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Profit for the year	**8,626**	2,849
Total tax charge	**2,218**	1,385
Profit before taxation	**10,844**	4,234
Tax using the UK corporation tax rate of 19.0% (2018: 19.0%)	**2,060**	804
Non-deductible expenses	**218**	889
Allowable development expenditure	**—**	(119)
Change in deferred tax rate	**(32)**	—
Share options	**9**	—
Adjustments in respect of prior year	**(37)**	(189)
Total tax charge included in profit or loss	**2,218**	1,385

Changes affecting the future tax charge

A reduction in the UK corporation tax rate to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This is expected to reduce the Group's future current tax accordingly.

Adjustments in respect of prior year's result from the submission of prior year research and development claims, and the update of the tax provisioning to the year-end computations.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date, and therefore these have been measured at 17% to 19%.

16 Dividends

The following dividends were declared and paid by the Company for the year:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Dividend paid by the Company:		
2018 Interim – 0.98 pence per qualifying Ordinary Share	—	750
2018 Final – 2.05 pence per qualifying Ordinary Share	**1,568**	—
2019 Interim – 1.41 pence per qualifying Ordinary Share	**1,365**	—
	2,933	750

17 Profit of the parent company

As permitted by section 408 of the Companies Act 2006, the statement of profit or loss of the Company is not presented as part of these financial statements. The Company's profit for the financial year was £3,141,000 (2018: loss of £6,228,000).

18 Property, plant and equipment

	Lease assets			Owned assets	
Group	Property £000	Plant and equipment £000	Total £000	Office equipment £000	Total £000
Cost					
At 1 January 2018	—	—	—	1,196	1,196
Additions	—	—	—	109	109
Acquisitions	—	—	—	138	138
At 31 December 2018	—	—	—	1,443	1,443
Recognition of right-of-use asset on initial application of IFRS 16	343	225	568	—	568
Adjusted balance at 1 January 2019	343	225	568	1,443	2,011
Additions	2,300	286	2,586	208	2,794
Disposals	—	—	—	(216)	(216)
Acquisitions	11	195	206	213	419
At 31 December 2019	**2,654**	**706**	**3,360**	**1,648**	**5,008**
Depreciation and impairment					
At 1 January 2018	—	—	—	812	812
Depreciation charge for the year	—	—	—	256	256
At 31 December 2018	—	—	—	1,068	1,068
Depreciation charge for the year	407	300	707	286	993
Disposals	—	—	—	(160)	(160)
At 31 December 2019	**407**	**300**	**707**	**1,194**	**1,901**
Net book value					
At 31 December 2019	**2,247**	**406**	**2,653**	**454**	**3,107**
At 31 December 2018	—	—	—	375	375

Plant and equipment includes IT equipment and motor vehicles. All lease assets are depreciated over their expected lease period.

Notes continued
(forming part of the financial statements)

19 Intangible assets

Group	Goodwill £000	Software £000	Brand £000	Intellectual Property £000	Total Other Intangible Assets £000	Development expenditure £000	Total £000
Cost							
At 1 January 2018	16,250	—	—	—	—	2,133	18,383
Acquisitions	3,520	—	115	897	1,012	—	4,532
Additions	—	—	—	—	—	657	657
At 31 December 2018	19,770	—	115	897	1,012	2,790	23,572
Acquisitions	56,406	34	2,940	23,551	26,491	—	82,931
Additions	—	—	—	—	—	2,354	2,354
At 31 December 2019	**76,176**	**34**	**3,055**	**24,448**	**27,503**	**5,144**	**108,857**
Amortisation and impairment							
At 1 January 2018	178	—	—	—	—	—	178
Charge in the year	—	—	12	112	124	133	257
At 31 December 2018	178	—	12	112	124	133	435
Charge in the year	—	14	241	1,338	1,579	619	2,212
At 31 December 2019	**178**	**14**	**253**	**1,450**	**1,703**	**752**	**2,647**
Net book value							
At 31 December 2019	**75,998**	**20**	**2,802**	**22,998**	**25,800**	**4,392**	**106,210**
At 31 December 2018	19,592	—	103	785	888	2,657	23,137

Capitalised development expenditure relates to the development of the software platform in Zest Technologies Limited, and technologies in Defaqto.

The goodwill impairment of £178,000 relates to a balance in a subsidiary company, where the specific service line has ended. This is separate from the goodwill that exists on consolidation, which is subject to a separate impairment review described below.

The carrying amount of goodwill is allocated across operating segments, which are deemed to be cash-generating units ("CGUs") as follows:

	31 December 2019 £000	31 December 2018 £000
Intermediary Services	**15,049**	12,823
Distribution Channels	**12,923**	6,769
Research & FinTech	**48,026**	—
	75,998	19,592

Goodwill is determined to have an infinite useful economic life. The Group has determined that, for the purposes of impairment testing, each segment is a cash-generating unit ("CGU"). The recoverable amounts for the CGUs are predominantly based on value in use, which is calculated on the cash flows expected to be generated using the latest projected data available over a five-year period, plus a terminal value estimate. The key assumptions in the value in use calculation are the projected future cash flows, pre-tax discount rate (range of 13.6% to 14.1%; 2018: 15.0%) and the terminal growth rate (range of 2% to 3%; 2018: 2%). The discount rate is based on the Group's pre-tax cost of capital, which is compared with other discount rates in the sector, and considered to be a reasonable market participant's rate. The reduction in the discount rate from the prior year reflects a lower risk free rate and lower cost of debt.

The projected EBITDA is built up on the Board-approved budget and future projections of revenue growth rates, changes in selling prices and overhead cost growth. These changes in revenues and cost are forecast based on the knowledge and expertise of operational staff, taking into account historical trends. Projections are prepared for the following 5 years, including a terminal growth assumption thereafter.

19 Intangible assets continued

The Directors have reviewed the recoverable amounts of the CGUs and have identified that a reasonably possible change in the following assumptions for the Research & FinTech CGU could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount. The Group would expect that the Research & FinTech CGU is likely to be the most sensitive to changes in assumptions, due to the recency of the acquisition. Headroom on the carrying value of Goodwill in the other two CGUs is not considered to be sensitive to reasonable changes in assumptions, which would trigger an impairment.

		Change required for carrying amount to equal recoverable amount	
In percent	Assumption	**2019**	2018
Research & FinTech			
Annual adjusted EBITDA growth (Yrs 1-5)	15.0%	**-300 bps**	—
Discount rate	13.6%	**+150 bps**	
Long term growth rate	3.0%	**-190 bps**	—

20 Fixed asset investments

Company	Shares in Group undertakings £000	Total £000
Cost		
At 1 January 2019	68,675	68,675
Additions	51,897	51,897
At 31 December 2019	**120,572**	**120,572**
Provisions		
At 1 January 2019 and 31 December 2019	—	—
Net book value		
At 31 December 2019	**120,572**	**120,572**
At 31 December 2018	68,675	68,675

The Directors consider the carrying value of investments to be supported by the net assets and future cash flows of the businesses.

Notes continued

(forming part of the financial statements)

20 Fixed asset investments continued

The additions include £512,000 (2018: £320,000) relating to share option charges in the subsidiary companies, which will be settled through equity in The SimplyBiz Group plc.

	Country of incorporation	Principal activity	Class and percentage of shares held	
			Group	Company
Subsidiary undertakings				
Simply Biz Limited	UK	Group management	Ordinary 100%	Ordinary 100%
SIFA Limited	UK	Business support services	Ordinary 100%	—
Simply Biz Support Limited	UK	Various business support services	Ordinary 100%	—
APS Legal and Associates Limited	UK	Legal services	Ordinary 100%	—
Simply Biz Services Limited	UK	Various business services	Ordinary 100%	—
Simply Biz Mortgages Limited	UK	Provision of mortgage club facility	Ordinary 100%	—
Capital Reward Clients Limited	UK	Non-trading	Ordinary 100%	—
Zest Benefits Limited	UK	Dormant	Ordinary 100%	—
Zest Technology Limited	UK	Business support software	Ordinary 100%	—
Staffcare Limited	UK	Dormant	Ordinary 100%	—
Capital Reward Limited	UK	Non-trading	Ordinary 99.84%	—
Capital Reward Plus Limited	UK	Non-trading	Ordinary 100%	—
New Model Business Academy Limited	UK	Business services training	Ordinary 100%	—
360 Legal Group Limited	UK	Dormant	Ordinary 100%	—
Gateway Surveying Services Limited (formerly Home Information Group Limited)	UK	Property survey agency	Ordinary 100%	—
Sonas Surveyors Limited	UK	Survey and valuation services	Ordinary 100%	—
Professional Finance Broking Limited	UK	Dormant	Ordinary 100%	—
Financial Intermediary and Broker Association Limited	UK	Trade association	Ordinary 100%	—
IKST Limited	UK	Dormant	Ordinary 100%	—
Verbatim Asset Management Limited	UK	Holding company	Ordinary 100%	—
Verbatim Portfolio Management Limited	UK	Investment planning tools	Ordinary 100%	—
Verbatim Advisor Services Limited	UK	Non-trading	Ordinary 100%	—
Verbatim Investments Limited	UK	Asset management vehicle	Ordinary 100%	—
Landmark Surveyors Limited	UK	Survey and valuation services	Ordinary 100%	—
Regulus Topco Limited	UK	Provision of management and finance services	Ordinary 100%	Ordinary 100%
Regulus Midco Limited	UK	Provision of management and finance services	Ordinary 100%	—
Regulus Bidco Limited	UK	Provision of management and finance services	Ordinary 100%	—
Defaqto Group Limited	UK	Provision of management and finance services	Ordinary 100%	—
Defaqto Ltd	UK	Financial research provider	Ordinary 100%	—
Jump Topco Limited	UK	Intermediate holding company	Ordinary 65%	—
Comparison Creator Limited	UK	Provider of financial product comparison software	Ordinary 65%	—
Defaqtomedia Limited	UK	Website administration	Ordinary 100%	—
Find Limited	UK	Dormant	Ordinary 100%	—
Defaqto Europe Limited	UK	Dormant	Ordinary 100%	—
Defaqto Nordic AS	Norway	Financial research provider	Ordinary 61%	—

20 Fixed asset investments continued

On 24 July 2017, the Group entered into an agreement to purchase the remaining shares in Zest Technology Limited, with the first tranche of 16,078 Ordinary Shares purchased on 3 August 2017 and the second tranche of 7,392 shares purchased for £202,000 on 2 August 2018, increasing the shareholding to 91.3%. The remaining tranche of shares was purchased for £405,000 on 27 July 2019, increasing the shareholding to 100%.

On 11 November 2017 the Group purchased the member share of Financial Intermediary Broker Association Limited (formerly Association of Bridging Professionals Limited), a company limited by guarantee. The member share was purchased by a newly set-up entity, Professional Finance Broking Limited, within which the Group has an investment of 51%, which it purchased for £1. The Group had an option to purchase the remaining 49% for £1, which it exercised on 10 May 2018.

On 23 January 2018, the Group purchased 100% of the share capital of Landmark Surveyors Limited.

On 21 March 2019, the Group purchased 100% of the share capital of Regulus Topco Limited, as described in note 21.

As at 31 December 2019, the trade and assets of both Landmark Surveyors Limited and Sonas Surveyors Limited were hived up into Gateway Surveying Services Limited (formerly Home Information Group Limited). From 1 January 2020, these two entities will be non-trading.

The registered address of all subsidiaries is The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG, with the exception of the following:

- Zest Technology Limited – Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7FG.
- Comparison Creator Limited and Jump Topco Limited – Springboard Business Centre, Llantarnam Park, Cwmbran, UK, NP44 3AW.
- Regulus Topco Limited, Regulus Midco Limited, Regulus Bidco Limited, Defaqto Group Limited, Defaqto Ltd, Defaqtomedia Limited, Find Limited & Defaqto Europe Limited – Financial Research Centre, Haddenham Business Park, Pegasus Way, Haddenham, Aylesbury, Buckinghamshire, HP17 8LJ.
- Defaqto Nordic AS – Vassbonnveien 18, 1410 Kolbotn, Norway.

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations:

31 December 2019	Comparison Creator £000
NCI percentage	**35%**
Non-current assets	8
Current assets	1,134
Non-current liabilities	—
Current liabilities	(728)
Net assets	**414**
Net assets attributable to NCI	145
Revenue	856
Profit	286
Total comprehensive income	286
Profit allocated to NCI	100

Comparison Creator is a subsidiary of Jump Topco Limited, which is a non-trading intermediary holding company.

The Group also has an NCI in Defaqto Nordic AS, which has a loss allocated to NCI of £21,000 for the year.

Notes continued
(forming part of the financial statements)

21 Acquisitions

On 21 March 2019, the Group purchased 100% of the share capital of Regulus Topco Limited, owner of Defaqto, a financial services tech business for total consideration of £51.4 million. Acquired borrowings of £24.7 million were settled soon after completion of the transaction.

The acquisition of Defaqto creates a single FinTech and support service group, which will benefit from an increased number and range of distribution channels. In the period to 31 December 2019, Defaqto contributed revenue of £11.8 million, Adjusted EBITDA of £4.9 million and operating profit of £4.7 million. If the acquisition had occurred on 1 January 2019, management estimates that revenue would have been £15.1 million, with an operating profit of £5.9 million and Adjusted EBITDA of £6.1 million.

The Group incurred acquisition related costs of £2.5 million relating to external legal, broker and professional fees. £1.6 million of these costs have been included in “operating expenses” in the consolidated statement of profit or loss and other comprehensive income and analysed separately as “operating costs of an exceptional nature” in note 8. The remaining £0.9 million relating to the equity raised for the transaction have been charged to share premium.

The following fair values have been determined provisionally, based on the Group’s preliminary assessment. The Group will continue to review the fair values during the measurement period. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised. The fair values have been updated since the 2019 half-year results to remove capitalised development costs, as these are considered to be included within the intellectual property asset.

	Provisional fair value £000
Net assets acquired	
Property, plant and equipment	213
Lease asset	206
Other intangible assets – software	34
Trade and other receivables	2,791
Income tax receivable	578
Cash and cash equivalents	5,030
Trade and other payables	(3,281)
Deferred revenue	(7,360)
Borrowings	(24,676)
Lease liability	(206)
Intangible assets – brands	2,940
Intangible assets – intellectual property	23,551
Deferred tax liability	(4,814)
	(4,994)
Consideration paid	
Cash price paid	43,894
Shares issued	7,489
	51,383
Goodwill	56,377

The intellectual property asset is a single primary asset covering customer relationships, technology and data, which collectively meet the separability criteria in IAS 38.

21 Acquisitions continued

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets and liabilities acquired were as follows:

- **Property, plant and equipment** – Market comparison technique and cost technique: The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
- **Intangible assets** – Relief-from-royalty method and multi-excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows relates to contributory assets.
- **Deferred revenue** – The deferred revenue has been recorded at book value on the basis that future cash outflows of a market participant would not be significantly different.

Goodwill acquired on the acquisition relates to the assembled workforce and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes. The acquisition significantly expands our customer base and breadth of proposition, whilst enhancing the Group's product margins. The strategic combination of SimplyBiz and Defaqto creates a single FinTech and support services group, which now benefits from an increased number and range of distribution channels.

In January 2019, the Group finalised the fair value assessment for the acquisition of Landmark Surveyors and as a result goodwill was increased by £29,000.

22 Trade and other receivables

	Group 31 December 2019 £000	Company 31 December 2019 £000	Group 31 December 2018 £000	Restated Company 31 December 2018 £000
Current assets				
Trade receivables	8,875	—	7,044	—
Provision against receivables	(668)	—	(605)	—
	8,207	—	6,439	—
Amounts owed by Group undertakings	—	12,500	—	6,570
Other receivables	185	—	5	4
Prepayments	1,137	8	744	—
Accrued income	2,245	—	1,524	—
	11,774	12,508	8,712	6,574
Non-current assets				
Amounts owed by Group undertakings	—	25,585	—	16,871
	—	25,585	—	16,871

The prior year balance sheet has been restated to reclassify £16.9 million of Amounts owed by Group undertakings from current to non-current, which reflects the Company's expectation to realise these assets after more than 12 months. Besides the reclassification of Amounts owed by Group undertakings there are no other financial statement items impacted. Additionally, there is no impact on earnings per share.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value, less anticipated future losses. The entity has defined default as any trade receivable which is more than 60 days past due. Once the receivable has defaulted an expected credit loss is recognised as the difference between the gross carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For trade and other receivables which are not past due, the Directors assess whether there has been a significant increase in credit risk and measure anticipated future losses accordingly. For trade and other receivables not 60 days past due, the estimated anticipated future losses were immaterial at measurement date.

Trade receivables do not carry interest.

Notes continued
(forming part of the financial statements)

22 Trade and other receivables continued

Accrued income relates primarily to the Group's right to consideration for work completed but not billed at the reporting date on 31 December 2019. There was no impact on accrued income as a result of the acquisition of Defaqto. The accrued income is transferred to trade receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Amounts owed by Group undertakings are repayable on demand and do not attract interest.

The ageing profile of overdue trade receivables was as follows:

	Group 31 December 2019 £000	Group 31 December 2018 £000
31–60 days	**2,191**	489
61–90 days	**799**	266
Over 90 days	**1,477**	1,206
	4,467	1,961

The Company provides against trade receivables based on the anticipated future loss model in IFRS 9.

Movement in the provision for trade receivables was as follows:

	Group 31 December 2019 £000	Group 31 December 2018 £000
Balance at beginning of year	**605**	210
Increase for trade receivables regarded as potentially uncollectable	**256**	472
Decrease in provision for trade receivables recovered, or written off, during the year	**(193)**	(77)
	668	605

23 Cash and cash equivalents

	Group 31 December 2019 £000	**Company 31 December 2019 £000**	Group 31 December 2018 £000	Company 31 December 2018 £000
Cash at bank and in hand – unrestricted	**10,666**	**58**	13,291	43
Cash at bank and in hand – restricted	**—**	**—**	545	—
Cash and cash equivalents per cash flow statement	**10,666**	**58**	13,836	43

Cash and cash equivalents comprise cash at bank and cash in hand. Cash at bank earns interest at floating rates based on daily bank deposit rates.

24 Trade and other payables

	Group 31 December 2019 £000	Company 31 December 2019 £000	Group 31 December 2018 £000	Company 31 December 2018 £000
Current liabilities				
Trade payables	**2,484**	**—**	1,543	16
Amounts owed to Group undertakings	**—**	**—**	—	—
Other tax and social security	**2,405**	**—**	1,960	—
Other payables	**1,292**	**—**	1,518	—
Deferred income	**6,494**	**—**	341	—
Accruals	**4,520**	**44**	4,892	53
	17,195	**44**	10,254	69
Non-current liabilities				
Other payables	**—**	**—**	725	—
	—	**—**	725	—

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Other payables include £nil (2018: £398,000) for the contract to acquire the remaining shares in Zest Technology Limited, which is a contract to acquire shares at a fixed amount of cash. This amount was paid in 2019, including £7,000 of additional costs. Other payables within current liabilities also includes £725,000 of deferred consideration in respect of Landmark Surveyors Limited.

Deferred income primarily relates to the advance consideration received from customers for Defaqto ratings in respect of 2020. The deferred income increased by £4,954,000 in the year due to the acquisition of Defaqto. The deferred income will be recognised over the course of 2020. All deferred income at 31 December 2018 has been recognised in the year ended 31 December 2019.

Amounts owed to Group undertakings are repayable on demand and do not attract interest.

25 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and Company's interest-bearing loans and borrowings.

	Group 31 December 2019 £000	Company 31 December 2019 £000	Group 31 December 2018 £000	Company 31 December 2018 £000
Secured bank loan				
Current	**—**	**—**	7,500	7,500
Less loan arrangement fees	**—**	**—**	(67)	(67)
Non-current	**38,000**	**38,000**	—	—
Less loan arrangement fees	**(315)**	**(315)**	—	—
	37,685	**37,685**	7,433	7,433

On 5 April 2018, the Group repaid its previous loan in full and drew down £10.1 million from a new £15.0 million Revolving Credit Facility ("RCF") provided by Yorkshire Bank. The previous loan was due to be settled in June 2022. On settlement of the loan, £775,000 of capitalised loan arrangement fees were accelerated into the profit and loss account, along with £515,000 of implied interest (due to the discounting of the amount repayable to the present date). £90,000 of loan arrangement fees were incurred on the new RCF, which have been capitalised and amortised over 3 years.

Notes continued
(forming part of the financial statements)

25 Interest-bearing loans and borrowings continued

On 21 March 2019, the Group repaid the loan facility provided by Yorkshire Bank and drew down £45.0 million from an RCF provided in two equal amounts of £22.5 million from Yorkshire Bank and NatWest. The drawdown from Yorkshire Bank was net of the settlement of the previous funding. The RCF is a four-year facility, with the option of a one-year extension. The margin payable on the RCF is based on the net leverage of the Group with a range of 1.5% to 2.6% above LIBOR.

On 21 March 2019, the Group repaid the acquired debt of Defaqto (note 21) of £24,676,000 (including accrued interest).

On 21 June 2019, the Group repaid £3.0 million of the RCF, and on 23 December 2019 repaid £4.0 million.

Changes in liabilities from financing activities:

	Loans and borrowings £000
Balance at 1 January 2019	7,433
Other changes	
Interest expense (note 13)	1,249
Movement in interest accrual	27
Acquisition	24,676
Repayment of loan	(31,676)
Drawdown of loans	37,500
Arrangement fees	(420)
Interest paid	(1,104)
Balance at 31 December 2019	**37,685**

26 Leases

The Group leases office facilities, IT equipment and motor vehicles. Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets
Right-of-use assets related to leased properties that do not meet the definition of investment property, and plant and equipment, are presented in note 18 – property, plant and equipment.

Lease liabilities
The following lease liabilities existed at 31 December:

	Group 31 December 2019 £000	Group 31 December 2018 £000
Current	**540**	—
Non-current	**2,176**	—
	2,716	—

26 Leases continued

Lease liabilities continued

Changes in lease liabilities from financing activities:

	Lease liabilities borrowings £000
Balance at 1 January 2019	568
Other changes	
Interest expense (note 13)	32
Acquisition	206
New leases	2,587
Lease payments	(677)
Balance at 31 December 2019	**2,716**

Amounts recognised in profit and loss

	£000
2019 – Leases under IFRS 16	
Interest on lease liabilities	32
Depreciation of lease asset	707
2018 – Operating leases under IAS 17	
Lease expense	604

No short-term or low value leases existed during 2019 and as at 31 December 2019.

27 Deferred taxation

	Group 31 December 2019 £000	**Company 31 December 2019 £000**	Group 31 December 2018 £000	Company 31 December 2018 £000
Deferred taxation				
Balance at the beginning of the year	**(582)**	**(23)**	(398)	—
Acquisition	**(4,814)**	**—**	(184)	—
Recognised in profit or loss	**277**	**3**	—	(23)
Recognised in equity	**1,113**	**—**	—	—
Balance at the end of the year	**(4,006)**	**(20)**	(582)	(23)

	Short-term timing differences £000	Accelerated capital allowances £000	Other timing differences £000	Total £000
Balance at 1 January 2019	(615)	33	—	(582)
Acquisition	(4,814)	—	—	(4,814)
(Charge)/credit to profit or loss	278	(1)	—	277
Recognised in equity	1,113	—	—	1,113
Balance at 31 December 2019	**(4,038)**	**32**	**—**	**(4,006)**

Notes continued
(forming part of the financial statements)

27 Deferred taxation continued

	Short-term timing differences £000	Accelerated capital allowances £000	Other timing differences £000	Total £000
Balance at 1 January 2018	(395)	(3)	—	(398)
Acquisition	(192)	8	—	(184)
(Charge)/credit to profit or loss	(28)	28	—	—
Balance at 31 December 2018	(615)	33	—	(582)

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets 31 December 2019 £000**	**Liabilities 31 December 2019 £000**	**Net 31 December 2019 £000**	Assets 31 December 2018 £000	Liabilities 31 December 2018 £000	Net 31 December 2018 £000
Short-term timing differences	**1,424**	**(5,462)**	**(4,038)**	83	(698)	(615)
Accelerated capital allowances	**32**	**—**	**32**	33	—	33
Other	**—**	**—**	**—**	—	—	—
Net tax assets/(liabilities)	**1,456**	**(5,462)**	**(4,006)**	116	(698)	(582)

The Company has a deferred tax liability of £20,000 (2018: £23,000) in relation to short-term timing differences.

Tax losses of £261,000 (2018: £nil) have been recognised in a specific subsidiary on the basis of expected future profits. The Group has £624,000 (2018: £1,078,000) of other tax losses, on which no deferred tax assets have been recognised, due to uncertainty over the future utilisation of the losses, as they exist in specific subsidiaries and are not available for loss relief. The deferred tax liability includes £4.4 million of short-term timing differences on the other intangible assets arising in the Defaqto acquisition.

28 Capital and reserves

Share capital

	Ordinary A shares	Ordinary B shares	Ordinary C shares	Ordinary D shares	Ordinary shares	Total
Number of fully paid shares: (nominal value £0.01)						
At 1 January 2018	8,349,148	332,232	1,331,112	230,899	—	10,243,391
Repurchase of shares and cancellation	—	—	—	(1,093)	—	(1,093)
Bonus issue of shares	75,142,332	2,990,088	11,980,008	2,068,254	—	92,180,682
Share consolidation	(75,142,332)	(2,990,088)	(11,980,008)	(2,068,254)	—	(92,180,682)
Bonus issue of shares	45,295,619	1,802,410	1,275,069	208,043	—	48,581,141
Share conversion	(53,644,767)	(2,134,642)	(2,606,181)	(437,849)	58,823,439	—
Issue of share capital	—	—	—	—	17,647,149	17,647,149
At 31 December 2018	—	—	—	—	76,470,588	76,470,588
Issue of share capital	—	—	—	—	20,311,708	20,311,708
At 31 December 2019	**—**	**—**	**—**	**—**	**96,782,296**	**96,782,296**

During 2018, prior to the IPO listing, the Company bought back and cancelled 1,093 ordinary D shares.

As part of the IPO process, the following share restructuring took place on 4 April 2018:

- an initial bonus issue of shares in the ratio of nine new shares to one existing share was issued across all share categories;
- a share consolidation across all share categories, at a rate of ten shares to one;
- a second bonus issue of shares across all share categories at differing share ratios; and
- a conversion of all categories of shares, in a ratio of one to one, into a new category of Ordinary Shares.

28 Capital and reserves continued

Share capital continued

In addition to the above, an issue of 17,647,149 new Ordinary Shares was made on 4 April 2018, and the Company undertook a reduction of its share capital by cancelling £45,000,000 of its share premium account.

On 21 March 2019, the Company issued 20,311,708 new £0.01 Ordinary Shares for £1.80 per share, as part of the funding for the acquisition of Defaqto. 4,160,000 of these shares were issued in part consideration for the acquisition of Defaqto (note 30).

	Share premium £000
At 1 January 2018	52,544
Issue of share capital	29,826
Transfer to retained earnings	(45,000)
Bonus issue	(579)
At 31 December 2018	36,791
Issue of share capital	28,909
Cost of share issue	(945)
At 31 December 2019	**64,755**

29 Share-based payment arrangements

At 31 December 2019, the Group had the following share-based payment arrangements.

Issued in 2018

Company Share Option Plan ("CSOP")

On 4 April 2018, the Group established the Company Share Option Plan ("CSOP"), which granted share options to certain key management personnel. The CSOP consists of two parts, and all options are to be settled by physical delivery of shares. The terms and conditions of the share option schemes granted during the year ended 31 December 2019 are as follows:

Scheme	Grant date	Number of awards	Vesting conditions	Contractual life of options
Approved Scheme	4 April 2018	229,412	3 years' service from grant date	3 to 10 years
Unapproved Scheme	4 April 2018	250,000	3 years' service from grant date	3 to 10 years

During 2019 5,882 awards (2018: nil) under the above plans have been forfeited as a result of bad leavers.

Management Incentive Plan ("MIP")

On 4 April 2018, the Group established the Management Incentive Plan ("MIP") which invited eligible employees to subscribe for A shares in the Company's subsidiary SimplyBiz Limited. Participants have a put option to sell the A shares to the Company in exchange for Ordinary Shares of the Company at any point between three years and ten years after the date of grant, provided that they are still employed (or treated as a good leaver) and an equity hurdle is met. The terms and conditions of the MIP are as follows:

Grant date	Number of awards	Vesting conditions	Contractual life of options
4 April 2018	2,250	3 years' service from grant date, subject to an equity hurdle of 40% above the IPO market capitalisation	3 to 10 years

If the equity hurdle is achieved, the A Shares are convertible into shares of the Company, based on 15% of the value created above 105% of the market capitalisation at IPO, subject to a 7.35% dilution cap on the issued share capital at the point of vesting.

During 2019 and as at 31 December 2019, the MIP, exceeded the required equity hurdle.

The fair value of services received in return for share options granted is based on the fair value of the share options granted. The fair value has been measured using the Black Scholes model for the unapproved CSOP scheme, and the Monte Carlo model for the MIP and approved CSOP scheme.

Notes continued
(forming part of the financial statements)

29 Share-based payment arrangements continued

Issued in 2018 continued

Management Incentive Plan ("MIP") continued

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	Approved CSOP	Unapproved CSOP	Management Incentive Plan
Fair value at grant date	£0.64	£1.59	£290.22
Share price at grant date	£1.70	£1.70	£1.70
Exercise price	£1.70	£0.01	£1.785
Expected volatility	40%	40%	40%
Option life (expected weighted average life)	3	3	3
Expected dividends	2%	2%	2%
Risk-free interest rate (based on government bonds)	1.2%	1.2%	1.2%

Save As You Earn ("SAYE") scheme

On 24 September 2018, the Group established the Save As You Earn ("SAYE") scheme and invited all Group employees to enter into a three-year savings contract linked to an option which entitles them to acquire Ordinary Shares in the Company.

537,618 options were issued under the scheme, with an exercise price of £1.70. The fair value of the shares at date of grant (1 December 2018) was £0.70, and the share options are due to vest in three years. Expected volatility, dividends and the risk-free interest rate have been assumed to be consistent with the approved CSOP scheme noted above.

During 2019, 119,631 awards (2018: nil) under the above plans have been forfeited as a result of bad leavers. Assumed retention on the remaining options at 31 December 2019 is 90%.

Issued in 2019

Company Share Option Plan ("CSOP")

In September 2019, the Group established an additional Company Share Option Plan ("CSOP"), which granted share options to certain key management personnel. The CSOP consists of two parts, and all options are to be settled by physical delivery of shares. The terms and conditions of the share option schemes granted during the year ended 31 December 2019 are as follows:

Scheme	Grant date	Number of awards	Vesting conditions	Contractual life of options
Approved Scheme	26 September 2019	15,564	3 years' service from grant date	3 to 10 years
Unapproved Scheme	26 September 2019	61,302	2 years' service from grant date	3 to 10 years
Unapproved Scheme	26 September 2019	90,791	1.52 years' service from grant date	3 to 10 years

The fair value of services received in return for share options granted is based on the fair value of the share options granted. The fair value has been measured using the Black Scholes model.

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	Approved CSOP	Unapproved CSOP	Unapproved CSOP
Fair value at grant date	£0.54	£1.84	£1.86
Share price at grant date	£1.93	£1.93	£1.93
Exercise price	£1.93	£0.01	£0.01
Expected volatility	45%	45%	45%
Option life (expected weighted average life)	3	2	1.52
Expected dividends	2%	2%	2%
Risk-free interest rate (based on government bonds)	1.3%	1.3%	1.3%

29 Share-based payment arrangements continued

Issued in 2019 continued

Save As You Earn ("SAYE") scheme

On 26 September 2019, the Group established the 2019 Save As You Earn ("SAYE") scheme and invited all Group employees to enter into a three-year savings contract linked to an option which entitles them to acquire Ordinary Shares in the Company.

375,145 options were issued under the scheme, with an exercise price of £1.58. The fair value of the shares at date of grant (1 December 2019) was £0.70, and the share options are due to vest in three years. Expected volatility, dividends and the risk-free interest rate have been assumed to be consistent with the approved CSOP scheme noted above.

During 2019, 3,417 shares have been forfeited as a result of bad leavers. An assumed retention rate of 85% has been applied at 31 December 2019 on the outstanding shares.

Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the share option programmes were as follows:

	Number of options 31 December 2019	**Weighted average exercise price 31 December 2019 £**	Number of options 31 December 2018	Weighted average exercise price 31 December 2018 £
Outstanding at 1 January	**1,036,808**	**1.29**	—	—
Forfeited during the year	**(128,930)**	**1.70**	—	—
Exercised during the year	**—**	**—**	—	—
Granted during the year	**542,802**	**1.15**	1,036,808	1.29
Outstanding at 31 December	**1,450,680**	**1.20**	1,036,808	1.29
Exercisable at 31 December	**—**	**—**	—	—

The options outstanding at 31 December 2019 had an exercise price in the range of £0.01 to £1.93 (2018: £0.01 to £1.785) and a weighted average contractual life of 2.9 years (2018: 3.0 years).

30 Other reserves

Group	Merger reserve £000	Capital redemption reserve £000	Share options reserve £000	Total £000
At 1 January 2018	(61,395)	8	—	(61,387)
Share option charge	—	—	320	320
At 31 December 2018	(61,395)	8	320	(61,067)
Share option charge	—	—	512	512
Issue of shares	7,449	—	—	7,449
Deferred tax on share options exceeding profit and loss charge	—	—	1,113	1,113
At 31 December 2019	**(53,946)**	**8**	**1,945**	**(51,993)**

During the year the Company issued 4,160,600 new £0.01 Ordinary Shares at a value of £1.80 per share in part consideration for the acquisition of Defaqto, resulting in an increase in the merger reserve. The opening balance on the merger reserve arose during the introduction of a new ultimate parent company (The SimplyBiz Group plc) in 2015.

Other reserves in the Company relate to the share option reserve, as per the Group above, and the merger reserve, which includes the impact of shares issued in the Defaqto acquisition, described above (2018: £nil).

Notes continued

(forming part of the financial statements)

31 Notes to the cash flow statement

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Cash flow from operating activities		
Profit after taxation	**8,626**	2,849
Add back:		
Finance income	**(123)**	(79)
Finance cost	**1,281**	2,257
Fair value gains/losses on derivative financial instrument	—	345
Taxation	**2,218**	1,385
	12,002	6,757
Adjustments for:		
Amortisation of development expenditure and software (note 19)	**633**	133
Depreciation of lease asset	**707**	—
Depreciation of property, plant and equipment	**286**	256
Amortisation of other intangible assets	**1,579**	124
Share option charges	**512**	320
Operating cash flow before movements in working capital	**15,719**	7,590
(Decrease)/increase in receivables	**(282)**	(1,186)
(Decrease)/increase in trade and other payables	**(3,290)**	620
Cash generated from operations	**12,147**	7,024
Income taxes (paid)/received	**(1,759)**	(991)
Net cash generated from operating activities	**10,388**	6,033

32 Financial commitments

Operating leases

Obligations under non-cancellable operating lease rentals are as follows:

	Land and buildings 31 December 2019 £000	Other 31 December 2019 £000	Land and buildings 31 December 2018 £000	Other 31 December 2018 £000
Less than one year	—	—	365	409
Between one and five years	—	—	78	965
More than five years	—	—	—	—
	—	—	443	1,374

In 2018, the above table included financial commitments for IT software that amounted to £1,080,000. As at 31 December 2019, the commitments were £840,000.

The Company has no operating leases.

33 Contingencies

All companies within the Group are party to a cross-guarantee against the bank loans of The SimplyBiz Group plc. The total amount outstanding at 31 December 2019 amounted to £38,000,000 (2018: £7,500,000).

34 Pension and other post-retirement benefit commitments

Defined contribution

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund. At the year end, pension contributions of £228,747 (2018: £114,040) were outstanding.

35 Related parties

Group

Identity of related parties with which the Group has transacted

Kirklees Stadium Development Limited (a company in which Ken Davy is a Director): Kirklees Stadium Development Limited was paid £146,000 (2018: £140,000) by the Group for property costs and other services during the year. Amounts owed at the year end totalled £1,000 (2018: £nil).

Portus Felix Limited (a company in which Ken Davy is a connected party): Portus Felix Limited was paid £195,000 (2018: £nil) by the Group for property costs and other services during the year. Amounts owed at the year end totalled £39,000 (2018: £nil).

MMUNIC Limited (a company controlled by Matt Timmins and Neil Stevens): the Group made purchases from MMUNIC Limited for £nil (2018: £6,000) during the year and owed £nil (2018: £nil) to the Company at the year end.

During the year Tim Trotter became Non-Executive Chairman of Instinctif Partners, a company that the Group procures financial PR services from. Since his appointment, the Group has paid Instinctif Partners an amount of £22,000. Amounts owed at the year-end totalled £1,000.

During the year the Group paid Park Place Corporate Finance Limited an amount of £232,000 (2018: £56,000) in respect of consultancy services. Tim Clarke is a shareholder and Director of Park Place Corporate Finance Limited and also a Director of the Company. £nil (2018: £nil) is outstanding at the year end and held within creditors.

Sandringham Financial Partners Limited (a company in which Neil Stevens and Matt Timmins are shareholders; Clear View Assured Limited is also a shareholder in Sandringham Financial Partners Limited, in which various Directors of the Company are shareholders, and in which both Sarah Turvey and Neil Stevens are Directors): The Group paid expenses on behalf of Sandringham Financial Partners Limited of £13,000 (2018: £54,000). The balance at the end of the year held in debtors was £2,000 (2018: £nil), of which provision was £nil (2018: £nil).

During 2018 the Group paid Trotter & Co Limited an amount of £1,462,000 in respect of consultancy services predominantly in relation to the IPO. Tim Trotter is a shareholder and Director of Trotter & Co Limited and also a Director of the Company. No amounts were paid in 2019 and £nil is outstanding at the year end.

During 2018 the Group paid Quantum Strategic Consultancy Services Limited an amount of £21,000 in respect of consultancy services. David Etherington is a shareholder and Director of Quantum Strategic Consultancy Services Limited and was also a Director of the Company. No amounts were paid in 2019 and £nil is outstanding at the year end.

During 2019 the Group paid remuneration of £88,000 and compensation of £388,000 for loss of office to Sarah Turvey, former Chief Operating Officer, who is the daughter of Ken Davy.

Huddersfield Giants Limited (a company in which Ken Davy is a Director): Huddersfield Giants Limited was paid £4,000 (2018: £nil) by the Group for corporate hospitality. Amounts owed at the year end totalled £nil (2018: £nil).

During the year the Group paid Karen Commons (who is the daughter of Ken Davy) £2,000 (2018: £2,000) in relation to the provision of physical therapy sessions for employees. Amounts owed at the year end totalled £nil (2018: £nil).

During the year the Group paid Sarah Turvey (who is the daughter of Ken Davy) £5,000 (2018: £5,000) in relation to the hire of storage space. Amounts owed at the year end totalled £nil (2018: £nil).

Notes continued
(forming part of the financial statements)

35 Related parties continued

Group continued

Transactions with key management personnel

The Group had no other transactions with key management personnel other than those included within Directors' remuneration in note 11, save for:

Dividends to Directors

	Group 31 December 2019 £000	Group 31 December 2018 £000
KE Davy	**1,056**	299
ML Timmins	**58**	16
NM Stevens	**57**	15
	1,171	330

36 Ultimate controlling party

The Directors believe that there is no ultimate controlling party of the Group.

37 Subsequent events

On 28 January 2020, the Group entered into a new 15-year property lease with Portus Felix Limited, a company in which Ken Davy is a connected party. The right-of-use asset has been valued at £2.6 million and will be offset by a £2.6 million lease liability reflecting the discounted committed cash outflows.

Notice of annual general meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in the capital of the Company, please forward this document to the purchaser or transferee, or to the stockbroker, bank or other person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

THE SIMPLYBIZ GROUP plc (the "Company")

(incorporated in England & Wales with registered number 09619906)

Directors:
Ken Davy (Chairman)
Neil Stevens (Joint CEO)
Matt Timmins (Joint CEO)
Gareth Hague (Group Finance Director)
Tim Trotter (Non-Executive Director)
Tim Clarke (Independent Non-Executive Director)
Gary Hughes (Senior Independent Non-Executive Director)

Registered Office:
The SimplyBiz Group plc
The John Smith's Stadium
Stadium Way
Huddersfield
HD1 6PG

9 March 2020

To the holders of Ordinary Shares

Dear Shareholder

2020 annual general meeting

On behalf of the Directors of The SimplyBiz Group plc (together the "Directors"), it gives me great pleasure to invite you to attend the annual general meeting ("AGM") of The SimplyBiz Group plc (the "Company") which will be held at our registered office: The John Smith's Stadium, Stadium Way, Huddersfield, HD1 6PG on Monday 27 April 2020 at 12:00 noon (UK time).

A copy of the 2019 annual report and accounts is enclosed. This contains the financial statements for the year ended 31 December 2019. A resolution relating to the financial statements is included in the ordinary business of the AGM.

The formal Notice of AGM is set out on pages 80 to 82 of this document, detailing the resolutions that the shareholders are being asked to vote on with explanatory notes of the business to be conducted at the AGM on pages 85 to 87. Details of the arrangements for the AGM are set out on pages 83 and 84. The AGM provides shareholders with an opportunity to communicate with the Directors and we welcome your participation.

Action to be taken

Shareholders are requested to ensure any proxy appointments are received by close of business on Thursday 23 April 2020. The easiest way to do this is to visit www.signalshares.com and follow the instructions for electronic submission. Alternative methods are outlined in paragraphs 2 and 3 of the section marked "Important Information" within the notice. The return of a form of proxy will not preclude a shareholder from attending and voting at the AGM if he/she so wishes.

Recommendation

The Directors believe that the resolutions set out in the Notice of AGM are in the best interests of the Company and its shareholders and unanimously recommend that shareholders vote in favour of all resolutions to be proposed at the AGM. The Directors who own Ordinary Shares intend to vote in favour of the resolutions to be proposed at the AGM.

I look forward to seeing you at the AGM.

Yours faithfully

Ken Davy
Chairman

Notice of annual general meeting continued

NOTICE is hereby given that the inaugural annual general meeting of the Company will be held on 27 April 2020 at 12:00 noon at our registered office: The John Smith's Stadium, Stadium Way, Huddersfield, HD1 6PG for the transaction of the following business:

ORDINARY RESOLUTIONS

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

FINANCIAL STATEMENT AND REPORTS

1 To receive the annual accounts and reports of the Company and the Auditor's report on those accounts and reports for the financial year ended 31 December 2019.

FINAL DIVIDEND

2 To declare a final dividend upon the recommendation of the Directors for the year ended 31 December 2019 of 2.85 pence per Ordinary Share payable on 4 May 2020 to shareholders on the register at the close of business on 20 March 2020 with an ex-dividend date of 19 March 2020.

DIRECTORS ELECTION

3 To re-elect Ken Davy as a Director of the Company.

4 To re-elect Neil Stevens as a Director of the Company.

5 To re-elect Matt Timmins as a Director of the Company.

6 To re-elect Gareth Hague as a Director of the Company.

7 To re-elect Tim Clarke as a Director of the Company.

8 To re-elect Gary Hughes as a Director of the Company.

AUDITOR'S RE-APPOINTMENT AND REMUNERATION

9 To re-appoint KPMG as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting of the Company.

10 To authorise the Directors to fix the remuneration of the auditor of the Company.

AUTHORITY FOR POLITICAL DONATIONS OR EXPENDITURE

11 That, in accordance with section 366 of the Companies Act 2006, to authorise the Company, and all companies that are its subsidiaries at any time during the period for which this resolution has effect, to make political donations and incur political expenditure (as such terms are defined in sections 364 and 365 of the Companies Act 2006) not exceeding £25,000 in aggregate during the period beginning with the date of the passing of this resolution to the conclusion of the next annual general meeting of the Company.

AUTHORITY TO ALLOT SHARES

12 That, subject to and in accordance with article 12 of the articles of association of the Company and pursuant to section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to allot shares in the Company and grant rights to subscribe or to convert any security into shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company as follows:

12.1 up to an aggregate nominal amount of £322,607.65 in connection with the allotment of equity securities (within the meaning of section 560 of the Companies Act 2006) in connection with an offer or issue by way of rights, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares (other than the Company) on the register on any record date fixed by the Directors in proportion (as nearly may be) to the respective number of Ordinary Shares deemed to be held by them; and

12.2 otherwise than pursuant to paragraphs 12.1 above up to an aggregate nominal amount of £322,607.65 to such persons at such times and generally on such terms and conditions as the Directors may determine,

provided that this authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in general meeting) at the end of the next annual general meeting of the Company, or, if earlier, at the close of business on the date 15 months after the date of this resolution, save that the Company may during the relevant period make any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority expires, and the Directors may allot shares or grant such rights in pursuance of such offer or agreement as if the authority had not expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot shares in the Company and to grant rights to subscribe for or to convert any security into, shares in the Company but is without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

SPECIAL RESOLUTIONS

To consider and, if thought fit, approve the following resolutions that will be proposed as special resolutions:

DISAPPLICATION OF PRE-EMPTION RIGHTS

13 That if resolution 12 is passed, the Directors be empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of that Act) for cash under the authority given by that resolution and/or to sell Ordinary Shares held by the Company as treasury shares for cash, in each case as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited to:

13.1 any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares (other than the Company) on the register on any record date fixed by the Directors in proportion (as nearly as may be) to the respective number of Ordinary Shares deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

13.2 the allotment of equity securities or sale of treasury shares, otherwise than pursuant to paragraph 13.1 of this resolution, up to a nominal amount of £48,391.15,

such authority to expire at the end of the next annual general meeting of the Company or, if earlier, at the close of business on the date 15 months after the date of this resolution, but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

ADDITIONAL DISAPPLICATION OF PRE-EMPTION RIGHTS

14 That if resolution 12 is passed, the Directors be empowered in addition to any authority granted under resolution 13 pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of that Act) for cash pursuant to the authority given by that resolution and/or to sell Ordinary Shares held by the Company as treasury shares for cash, in each case as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

14.1 limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £48,391.15; and

14.2 used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such authority to expire at the end of the next annual general meeting of the Company or, if earlier, at the close of business on the date 15 months after the date of this resolution, but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

Notice of annual general meeting continued

SPECIAL RESOLUTIONS continued

PURCHASE OF OWN SHARES

15 That the Company is generally and unconditionally authorised for the purpose of section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of that Act) of Ordinary Shares of £0.01 each in the capital of the Company, on such terms and in such manner as the Directors may from time to time determine, provided that:

15.1 the maximum aggregate number of Ordinary Shares that may be purchased is 9,678,230, representing approximately 10% of the Company's issued Ordinary Share capital (excluding treasury shares) as at 9 March 2020 (the latest practicable date prior to publication of this notice);

15.2 the minimum price (excluding expenses) that may be paid for each Ordinary Share is £0.01;

15.3 the maximum price (excluding expenses) that may be paid for each Ordinary Share is the higher of:

15.3.1 105% of the middle market quotation of an Ordinary Share in the capital of the Company for the five business days immediately prior to the day the purchase is made, the middle market quotation being derived from the AIM Appendix to the Daily Official List of the London Stock Exchange; and

15.3.2 the value of an Ordinary Share in the capital of the Company, being the higher of:

(a) the price of the last independent trade in such a share on the trading venue where the purchase is carried out; and

(b) the highest current independent bid for such a share on such trading venue;

15.4 this authority shall expire on the earlier of the conclusion of the Company's next annual general meeting after the passing of this resolution and the date 15 months after the date of this resolution; and

15.5 the Company may make a contract for the purchase of Ordinary Shares under this authority before it expires, notwithstanding that such contract will, or might, have its terms executed wholly or partly after this authority expires, and the Company may make a purchase pursuant to such a contract after the expiry of this authority.

SHORTER NOTICE OF GENERAL MEETINGS

16 That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the Board

Vicky Williams
Company Secretary

IMPORTANT INFORMATION

The following notes explain your general rights as a shareholder and your right to attend and vote at the AGM or to appoint someone else to vote on your behalf.

1 A shareholder entitled to attend and vote at the AGM may appoint a proxy or proxies (who need not be a shareholder or shareholders of the Company) to exercise all or any of that shareholder's rights to attend, speak and vote at the AGM. Where more than one proxy is appointed, each proxy must be appointed for different shares.

2 Proxies may only be appointed by:

2.1 making an online proxy appointment by going to www.signalshares.com and following the instructions for electronic submission provided there; or

2.2 requesting a paper proxy card from the Company's registrars, Link Asset Services on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines, are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales, or email Link at enquiries@linkgroup.co.uk

2.2.1 Forms must be completed and returned together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, to the Company's registrars, Link Asset Services, at PXS, 34 Beckenham Road, Beckenham, BR3 4TU by post or (during normal business hours only) by hand; or

2.3 having an appropriate CREST message transmitted through the CREST electronic proxy appointment service as described in the CREST Manual (a CREST Proxy Instruction). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf (see note 3 below). Please refer to the CREST Manual on the Euroclear website (www.euroclear.com/CREST) for further information.

To be effective the form of proxy or other instrument appointing a proxy must be received by the Company's registrars, or received electronically via www.signalshares.com or, in the case of shares held through CREST, via the Euroclear website, in each case not later than 12:00 noon (UK time) on Thursday 23 April 2020.

Completion of a proxy form, online proxy appointment or CREST Proxy Instruction will not prevent a shareholder from attending and voting in person at the meeting.

3 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) by using the procedures described in the CREST Manual (available at www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time for receipt of proxy appointments set out in paragraph 2 above. For this purpose, the time of the receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST application host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated by other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed any voting service providers, to procedure that his CREST sponsor or voting service provider takes) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(3)(a) of the Uncertificated Securities Regulations 2001.

4 Only those shareholders included in the register of members of the Company close of business on Thursday 23 April 2020 or, if the meeting is adjourned, on the day which is two working days before the time for holding the adjourned meeting, will be entitled to attend and to vote at the AGM in respect of the number of shares registered in their names at that time. Changes to entries on the share register after the relevant deadline will be disregarded in determining the rights of any person to attend or vote at the meeting.

Notice of annual general meeting continued

IMPORTANT INFORMATION continued

5 Copies of the service contracts of the Executive Directors and the letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours from the date of dispatch of this notice until the end of the AGM (Saturdays, Sundays and public holidays excepted) and will also be available at the place of the AGM for at least 15 minutes before and during the meeting.

6 The electronic addresses provided in this notice are provided solely for the purpose of enabling shareholders to register the appointment of a proxy or proxies for the meeting or to submit their voting directions electronically. You may not use any electronic address provided in this notice to communicate with the Company for any purposes other than those expressly stated.

7 A copy of this notice, and other information required by the Companies Act 2006, can be found at www.simplybizgroup.co.uk/investors.

8 Shareholders attending the AGM have a right to ask questions relating to the business being dealt with at the meeting. The Company must answer such questions unless:

8.1 answering would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;

8.2 the answer has already been given on a website in the form of an answer to a question; or

8.3 it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

9 As at 9 March 2020, being the last business day prior to publication of this AGM notice, the Company's issued share capital comprised 96,782,296 Ordinary Shares of £0.01 each. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 9 March 2020 is 96,782,296.

10 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 (nominated persons). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

11 If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (i.e. the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore, any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to it in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act 2006, writes to you directly for a response.

12 Voting on all resolutions at the AGM will be conducted by show of hands. As soon as practicable following the AGM, the results of the voting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a Regulatory Information Service and also placed on the Company's website at www.simplybizgroup.co.uk/investors.

EXPLANATORY NOTES TO THE RESOLUTIONS PROPOSED AT THE ANNUAL GENERAL MEETING

The resolutions to be proposed at the AGM of the Company to be held on 27 April 2020 at 12:00 noon are set out in the Notice of AGM. The following notes provide an explanation to the resolutions being put to shareholders.

Ordinary resolutions

Resolutions 1 to 12 are proposed as ordinary resolutions. These resolutions will be passed if more than 50% of the votes are cast in favour of them.

Resolution 1 – Financial Statements and Accounts
The Directors are required to present to shareholders at the AGM the reports of the Directors and auditor and the audited accounts of the Company for the year ended 31 December 2019.

Resolution 2 – Final Dividend
A final dividend can only be paid after the shareholders have approved it at a general meeting. The Directors are recommending a final dividend of 2.85 pence per Ordinary Share, payable to shareholders on the register at the close of business on 20 March 2020. If approved, the final dividend will be paid on 4 May 2020.

Resolutions 3 to 8 – Re-election of Directors
Tim Trotter has advised that he will not stand for re-appointment at the AGM and instead retires by rotation. In keeping with industry best practise, all other Directors are retiring and seek re-appointment at the AGM. Having considered the performance of and contribution made by each of the Directors and following performance evaluation for those Directors standing for election, the Board of Directors is satisfied that, and the Chairman confirms that, the performance of each Director continues to be effective and to demonstrate commitment to the role and as such the Board recommends their re-election.

A biography of each Director appears on pages 18 and 19 of the Company's annual report and on the Company's website at www.simplybizgroup.co.uk/investors.

Resolution 9 – Re-appointment of auditor
The Companies Act 2006 requires that auditor be appointed at each general meeting at which accounts are laid to hold office until the next such meeting. The appointment of KPMG as auditor of the Company terminates at the conclusion of the AGM. It has indicated its willingness to stand for re-appointment as auditor of the Company until the conclusion of the annual general meeting in 2021. The Company's Audit Committee keeps under review the independence and objectivity of the external auditor and further information can be found in the annual report and accounts on page 23. After considering the relevant information, the Audit Committee has recommended to the Board that KPMG be re-appointed as auditor.

Resolution 10 – Authorising and fixing the remuneration of the auditor
It is normal practice for shareholders to resolve at the annual general meeting that the Directors decide on the level of remuneration of the auditor for the audit work to be carried out by it in the next financial year. The amount of the remuneration paid to the auditor for the next financial year will be disclosed in the next audited accounts of the Company.

Resolution 11 – Political donations
The Companies Act 2006 requires political donations and expenditure to be authorised by shareholders by ordinary resolution. Whilst it is not the intention of the Company to make any direct political donations or incur any political expenditure, the statutory provisions are very broadly drafted and may catch activities such as functions to which politicians are invited, or may extend to bodies concerned with policy review, law reform and representation of the business community that the Company and its subsidiaries might wish to support. For this reason, the Company is asking its shareholders to authorise any donations and expenditure that may fall within the remit of the Companies Act 2006, up to an aggregate amount of £25,000 for the Company and its subsidiary companies. This resolution, if passed, will renew the Directors' authority until next year's annual general meeting (when the Directors intend to renew this authority).

Resolution 12 – Authority to allot shares
The Directors may only allot shares or grant rights over shares if authorised to do so by shareholders.

The Investment Association (IA) guidelines on authority to allot shares state that IA members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to one-third of a company's issued share capital. In addition they will treat as routine a request for authority to allot shares representing an additional one-third of the Company's issued share capital provided that it is only used to allot shares for the purpose of a fully pre-emptive rights issue.

Accordingly, resolution 12, if passed, would authorise the Directors under section 551 of the CA 2006 to allot new shares or grant rights to subscribe for, or convert any security into, new shares (subject to shareholders' pre-emption rights) up to a maximum nominal amount of £645,215.30, representing the IA guideline limit of approximately 66% of the Company's issued Ordinary Share capital as at 9 March 2020 (being the latest practicable date prior to the publication of this document).

Resolution 12.1 would give the Directors authority to allot new shares or grant rights to subscribe for, or convert any security into, new shares, up to an aggregate nominal value of £322,607.65, representing approximately one-third of the Company's existing issued share capital in connection with a rights issue in favour of ordinary shareholders.

Notice of annual general meeting continued

EXPLANATORY NOTES TO THE RESOLUTIONS PROPOSED AT THE ANNUAL GENERAL MEETING continued

Ordinary resolutions continued

Resolution 12 – Authority to allot shares continued

Resolution 12.2, if passed, would give the Directors general authority to allot new shares or grant rights to subscribe for, or convert any security into, new shares, up to an aggregate nominal value of £322,607.65, representing approximately one-third of the Company's existing issued share capital. As resolution 12.2 imposes no restrictions on the way the authority may be exercised, it could be used in conjunction with resolution 12.2 so as to enable the whole two-thirds to be used in connection with a rights issue. Where the usage of this authority exceeds one-third of the issued share capital, the Directors intend to follow best practice as regards its use.

The authority will expire at the earlier of the conclusion of the next annual general meeting of the Company and the date 15 months after the date of the resolution.

Passing this resolution will ensure that the Directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. There are no current plans to issue new shares except in connection with employee share schemes.

The Company does not at present hold any shares in treasury.

Special resolutions

Resolutions 13 to 16 are special resolutions. These resolutions will be passed if not less than 75% of the votes are cast in favour of them.

Resolution 13 – Disapplication of pre-emption rights and Resolution 14 – Additional disapplication of pre-emption rights

The CA 2006 requires that if the Company issues new shares or grants rights to subscribe for or to convert any security into shares for cash, or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. In certain circumstances, it may be in the best interests of the Company to allot shares (or to grant rights over shares) for cash without first offering them proportionately to existing shareholders. This cannot be done under the CA 2006 unless the shareholders have first waived their pre-emption rights. In accordance with investor guidelines, therefore, approval is sought by the Directors to issue a limited number of Ordinary Shares for cash without first offering them to existing shareholders.

Resolution 13 contains a two-part disapplication of pre-emption rights which seeks the Directors' authority to issue equity securities of the Company for cash without application of pre-emption rights pursuant to section 561 of the CA 2006.

Other than in connection with a rights or other pre-emptive issue, scrip dividend or other similar issue, the authority contained in resolution 13 would be limited to a maximum nominal amount of £48,391.15 (which would equate to 4,839,115 Ordinary Shares of £0.01 each), representing approximately 5% of the Company's issued share capital as at 9 March 2020, being the latest practicable date prior to the publication of this AGM notice.

Resolution 13 seeks a disapplication of the pre-emption rights on a rights issue or other pre-emptive offer so as to allow the Directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which might arise, for example, with overseas shareholders.

Resolution 14 is an optional disapplication of pre-emption rights limited to an additional 5% of issued Ordinary Share capital to be used for transactions which the Directors determine to be an acquisition or specified capital investment. The authority contained in the resolution would be limited to a maximum nominal amount of £48,391.15 (which would equate to 4,839,115 Ordinary Shares of £0.01 each), representing approximately 5% of the Company's issued share capital as at 9 March 2020, being the latest practicable date prior to the publication of this AGM notice.

If passed, these authorities will expire at the same time as the authority to allot shares given pursuant to resolution 12 (Authority to allot shares).

Save for share issues in respect of employee share schemes and any share dividend alternatives, the Directors have no current plans to utilise either of the authorities sought by resolutions 12 (Authority to allot shares), 13 (Disapplication of pre-emption rights) or 14 (Additional disapplication of pre-emption rights), although they consider their renewal appropriate in order to retain maximum flexibility to take advantage of business opportunities as they arise.

EXPLANATORY NOTES TO THE RESOLUTIONS PROPOSED AT THE ANNUAL GENERAL MEETING continued

Special resolutions continued

Resolution 15 – Purchase of own shares

This resolution seeks authority for the Company to make market purchases of its own shares and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase a maximum of 9,678,230 of its Ordinary Shares in aggregate, representing approximately 10% of the Company's issued Ordinary Share capital (excluding treasury shares) as at 9 March 2020 (the latest practicable date prior to publication of this notice).

The resolution specifies the minimum and maximum prices (excluding expenses) that may be paid for any Ordinary Shares purchased under this authority. This authority will expire on the earlier of the conclusion of the Company's next annual general meeting and the date 15 months after the date of this resolution.

The Directors have no present intention of exercising the authority granted by this resolution, but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The Directors will only exercise the authority granted by this resolution to purchase Ordinary Shares if they consider that such purchases will be in the best interests of shareholders generally and will result in an increase in earnings per Ordinary Share for the remaining shareholders.

Resolution 16 – Shorter notice of general meetings

Under the Companies Act 2006 all listed company general meetings must be held on at least 21 days' notice, but companies may reduce this period to 14 days (other than for annual general meetings) if shareholders agree to a shorter notice period and the Company has met certain requirements for electronic voting. Resolution 16 is therefore being proposed as a special resolution to renew the authority granted by shareholders at last year's annual general meeting which permitted the Company to call general meetings, other than AGMs, on 14 clear days' notice. If the resolution is passed, the authority conferred would be effective until the Company's next annual general meeting, when it is intended that the approval be renewed.

The Directors confirm that the shorter notice period would not be used as a matter of routine. The Directors will consider on a case-by-case basis whether the use of the flexibility offered by the shorter notice period is merited taking into account all the circumstances, including whether the business of the meeting is time sensitive. An electronic voting facility will be made available to all shareholders for any meeting held on 14 clear days' notice.

Company information

FINANCIAL CALENDAR

Trading statement for 6 months ended 30 June 2020	Published July 2020
Interim results for 6 months ended 30 June 2020	Published September 2020
Full year results for 12 months ended 31 December 2020	Published March 2021
Annual report publication	Published March 2021

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Simply Biz Groups plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Galerie Satin, an FSC® certified material.

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